SUPREME COURT, U. S.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1970.

No. 659

COMCET, INC.,

Petitioner,

vs.

COMMUNICATIONS SATELLITE CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT.

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COMMUNICATIONS SATELLITE CORPORATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

The petitioner COMCET, INC. respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit entered July 14, 1970.

OPINIONS BELOW.

The opinion of the District Court for the District of Maryland appears in Appendix A hereto and is reported in 300 F. Supp. 559. The opinion of the Court of Appeals, not yet reported, appears in Appendix B hereto.

JURISDICTION.

The judgment of the Court of Appeals for the Fourth Circuit was entered on July 14, 1970. This petition for certiorari is being filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U. S. C. § 1254(1).

QUESTIONS PRESENTED.

1. Is the test for service mark infringement under § 32(1) of the Lanham Act, 15 U. S. C. § 1114, the mere possibility of confusion, or does the statute require the probability that prospective purchasers will be confused?

2. May the District Court's finding of fact that there is no likelihood of confusion, based on detailed findings from all the evidence, be set aside by the Court of Appeals by merely drawing a conflicting inference from some of the evidence and without determining that the District Court's findings and inferences to the contrary were clearly erroneous?

3. May a common law tradename monopoly be extended beyond the protection afforded by the principles of unfair competition which require proof of the probability that prospective purchasers will be confused?

STATUTORY PROVISIONS INVOLVED.

The Lanham Act, Section 32(1), 15 U. S. C. § 1114:

Remedies; infringement; innocent infringement by printers and publishers.

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

* * * * *

Federal Rules of Civil Procedure:

Rule 52. Findings by the Court.

(a) Effect. In all actions tried upon the facts without a jury . . . , the court shall find the facts specially and state separately its conclusions of law

thereon, and the judgment shall be entered pursuant to Rule 58. . . . Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. . . . If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. . . .

STATEMENT OF THE CASE.

In this civil action Respondent claims that its registered service mark and tradename, "COMSAT", are infringed by Petitioner's use of the name and mark, "COMCET". Respondent seeks an injunction under the common law and § 32(1) of the Lanham Act, 15 U. S. C. § 1114, but has conceded that it has not proved damage (p. A1). Federal jurisdiction is based on diversity of citizenship and the Lanham Act, 15 U. S. C. § 1051 et seq.

Respondent is a private corporation established pursuant to the Communications Satellite Act, 47 U. S. C. § 701 et seq., and incorporated in the District of Columbia. Its business consists solely of providing global communications services via communications satellites. It is the only entity in the United States authorized to provide such services (Tr. 48, 185-187).[1] Its services are sold to only six customers, of which one is the federal government and five are communications common carriers. It does not manufacture or sell any product commercially nor sell any service to the general public (Tr. 50, 186-187, 593). COMSAT is an acronym for "COMmunications SATellite" and is often written as "ComSat" (Tr. 282-283).

Petitioner is a Maryland corporation engaged in the business of developing, manufacturing and selling computers (Tr. 315, 318-319). Its name and mark "COMCET" is an acronym for "COMputer Communications Engineering

1. The Transcript of Proceedings in the District Court, certified by the Clerk, is referred to herein as "Tr.".

Technology" (Tr. 316-317). Petitioner's and Respondent's letterheads are:

Computer Communications Engineering Technology

COMCET

1950 W. COUNTY ROAD B-2
ST. PAUL, MINNESOTA 55113
Phone (612) 633-8130

Defendant's Exhibit No. 32(b).

COMSAT

COMMUNICATIONS SATELLITE CORPORATION

Plaintiff's Exhibit No. 15.

Petitioner's principal product is the "Comcet 60" system consisting of a computer and associated peripheral equipment (Tr. 347, 352). Each system sells for about $200,000 and is designed to be used in connection with large data processing computers, such as the "IBM 360" or "Univac 1108" (Tr. 353-354, 359). A data processing computer is one designed to store data or to perform computations or comparisons of data (Tr. 355-357). These large data processing computers must frequently utilize a significant portion of their capacity in performing the managerial tasks associated with the receipt, editing and verification of incoming data (Tr. 360-361). Data processing computers are not designed to perform these tasks efficiently (Tr. 362). Petitioner's computer is specifically designed for the efficient performance of these tasks, thereby freeing the larger data processing computers to utilize their full capacity for performing more complex tasks (Tr. 319, 361-

362). Petitioner's computer is known in the computer industry as a "communications computer" to distinguish it from a data processing computer (Tr. 317, 358).

Petitioner markets its computers primarily to users of large data processing systems through its own sales staff (Tr. 395-397, 409). In connection with each sale, several months of work are required to adapt and program Petitioner's computer to operate in conjunction with a customer's existing data processing system (Tr. 395-400). The decision to purchase Petitioner's computer is made only after extensive consultation between Petitioner and the prospective customer (Tr. 395-400, 500). The actual purchase decision is made by the customer's most responsible executives and technicians, all of whom are highly sophisticated and knowledgeable in the computer field (Tr. 333-334, 395-398, 500).

During four days of trial District Judge Roszel C. Thomsen saw and heard Petitioner's and Respondent's executive personnel give elaborately detailed testimony concerning their businesses. Judge Thomsen made the following basic findings of fact:

1. The marks of Petitioner and Respondent are both weak. (pp. A12, 15).
2. The parties are in different but sometimes interrelated industries (pp. A7, 13).
3. The circumstances and conditions surrounding the purchase of Respondent's services by its customers and of Petitioner's computers and related hardware and software by its prospective customers are quite dissimilar (pp. A12-14).
4. Prospective purchasers of Petitioner's products and Respondent's services are highly sophisticated and are likely to exercise a high degree of care in learning all the details about each (pp. A13, 15).
5. Petitioner did not intend to derive any benefit from

Respondent's reputation or good will (pp. A12, 15-16).

6. There is no likelihood of confusion arising from Petitioner's use of its name and trademark (p. A16).

Judge Thomsen's opinion (Appendix A) sets forth elaborately detailed findings of fact and conclusions of law in support of the District Court judgment for Petitioner. A review of the evidence in the transcript will demonstrate that the District Court's findings are supported by the overwhelming weight of the evidence.

The Court of Appeals for the Fourth Circuit reversed the District Court's judgment and remanded the case for issuance of an injunction prohibiting Petitioner from using "COMCET" in its name, publicity, advertising, stock sales, general business activity, and trademark (Appendix B, p. B14). It ruled that "COMSAT" is a unique and distinctive word, a strong mark and a famous name (p. B4). The Court held that Respondent is entitled to an injunction on the ground that the possibility of confusion is sufficient to impair the public's interest in accurately identifying the parties' respective businesses and to prejudice Respondent's image (pp. B10-11). The Court ruled further that proof need only be slight (p. B9). The Court of Appeals did not explain how the District Court's findings of fact or inferences drawn therefrom were "clearly erroneous."

REASONS FOR GRANTING THE WRIT.

I. THE COURT OF APPEALS MISINTERPRETS AND MISAPPLIES THE INFRINGEMENT STANDARD UNDER THE LANHAM ACT AND THEREBY EXPANDS THE MONOPOLY AFFORDED TRADEMARKS. THE DECISION THUS RAISES AN IMPORTANT QUESTION OF FEDERAL LAW AND CONFLICTS WITH DECISIONS IN COURTS OF APPEALS FOR OTHER CIRCUITS.

The Court of Appeals has greatly relaxed the standard of proof to establish infringement under the Lanham Act by requiring only slight evidence of the possibility of confusion. The trademark monopoly created by the Court of Appeals is greatly expanded far beyond the standard of prospective purchaser confusion intended by Congress.

The legislative history of § 32(1) of the Lanham Act proves that Congress intended that a trademark monopoly should exist only if the use of a similar mark will result in the probable confusion of prospective purchasers.[2] In the present case the ordinary prospective purchaser is a corporation considering the purchase of a $200,000 computer system to complement its complex data processing equipment which costs many times more. Infringement rests completely on the probable confusion of an appreciable number of these prospective purchasers; *Shoppers Fair of*

2. §§ 32(1) and 45 of the Lanham Act, 15 U. S. C. §§ 1114 & 1127, were amended in 1962 to delete the words "purchasers as to the source of origin of such goods or services"; Public Law 87-772. The legislative history of the 1962 amendment indicates that the words were deleted because Congress intended to provide a remedy where there is a likelihood of confusion among potential purchasers as well as actual purchasers; S. R. No. 2107, U. S. Cong. & Adm. News, 87th Cong., 2d Sess. (1962), pp. 2844, 2847, 2850, 2851. See *David Sherman Corporation* v. *Heublein, Inc.*, 340 F. 2d 377, 379 (CA 8 1965).

Arkansas, Inc. v. *The Sanders Co., Inc.*, 328 F. 2d 496 (CA 8, 1964); *S. C. Johnson & Son, Inc.* v. *Johnson*, 266 F. 2d 129 (CA 6, 1959); *Sun-Maid Raisin Growers of California* v. *Sunaid Food Products, Inc.*, 356 F. 2d 467 (CA 5, 1966).

The District Court ruled that confusion among such prospective purchasers is not likely, weighing all the evidence against the legal standards of proof set forth in the *Restatement of Torts 2d*, Tentative Draft No. 8, §§ 729 and 731. These standards are summarized below and have been applied by Courts of Appeals in the cases indicated by appropriate footnote references.

(a) The degree of resemblance between the marks;[3]

(b) The intent of the alleged infringer in adopting its mark;[4]

(c) the similarity of the goods or services, marketing methods, marketing channels, product functions and uses;[5]

(d) The sophistication of purchasers, the degree of care likely to be exercised by purchasers, and the existence or non-existence of common customers.[6]

Applying the great weight of the evidence against these standards, the only District Court finding of fact favoring

3. *Drexel Enterprises, Inc.* v. *J. R. Richardson*, 312 F. 2d 525 (CA 10 1962); *Sun-Maid Raisin Growers of California* v. *Sunaid Food Products, Inc.*, 356 F. 2d 467 (CA 5, 1966).

4. *Drexel Enterprises, Inc.* v. *J. R. Richardson, supra*; *Shoppers Fair of Arkansas, Inc.* v. *The Sanders Co., Inc.*, 328 F. 2d 496 (CA 8 1964); *S. C. Johnson & Son, Inc.* v. *Johnson*, 266 F. 2d 129 (CA 6 1959).

5. *Drexel Enterprises, Inc.* v. *J. R. Richardson, supra*; *Sun-Maid Raisin Growers of California* v. *Sunaid Food Products, Inc., supra*; *Blazon, Inc.* v. *Blazon Mobile Homes Corporation*, 416 F. 2d 598 (CA 7 1969).

6. *Drexel Enterprises, Inc.* v. *J. R. Richardson, supra*; *General Adjustment Bureau, Inc.* v. *General Insurance Adjustment Company*, 381 F. 2d 991 (CA 10 1967).

Respondent is the resemblance between the marks. The Court of Appeals ruled that Respondent's mark is distinctive, setting aside the District Court finding, and thereby added an additional finding of fact in favor of Respondent. No other supportive finding of fact made by the District Court was set aside on appeal.

Thus, based solely on a comparison of the marks, as against countervailing findings as to every other legal criterion, the Court of Appeals concluded that infringement exists. The opinion of the Court of Appeals clearly demonstrates the panel's reliance on "possibilities" and on its own inferences drawn from some of the evidence (pp. B9, 11-13).

The decision of the Court of Appeals, in failing to apply the established legal standards to all the findings of fact, conflicts directly with the decision of the Tenth Circuit in *Drexel Enterprises, Inc.* v. *J. R. Richardson*, 312 F. 2d 525 (1962), where the Court ruled that the criteria set forth in the *Restatement of Torts* § 729 are the applicable standards for determining the likelihood of confusion among prospective purchasers under § 32(1) of the Lanham Act. On the basis of these legal standards the Tenth Circuit held that the name "Heritage House," used to designate a retail furniture store, did not infringe the furniture trademark "Heritage".

The numerous references to the "possibility" of confusion in the Court of Appeals' opinion in this case clearly indicate that the panel applied an infringement test in violation of that required by the express intention of Congress. It is also in direct conflict with the decision of the Tenth Circuit in *General Adjustment Bureau, Inc.* v. *General Insurance Adjustment Company*, 381 F. 2d 991 (1967) in which the Tenth Circuit ruled that the word "likely" in § 32(1) of the Lanham Act means "probably", not "possibly."

The Court of Appeals in the present case drew inferences and suggested possibilities but failed to acknowledge or apply the established principle that occasional confusion will not sustain an action for infringement under the Lanham Act. The decision of the Court of Appeals is in direct conflict with the decision of the Eighth Circuit in *Shoppers Fair of Arkansas, Inc. v. The Sanders Co., Inc.*, 328 F. 2d 496, 500 (1964) and the decision of the Sixth Circuit in *S. C. Johnson & Son, Inc. v. Johnson*, 266 F. 2d 129, 141 (1959). In *Shoppers Fair*, the Court ruled that the test is whether an appreciable number of prospective purchasers are likely to be confused. In *Johnson*, the Court ruled that "occasional cases of confusion or thoughtless errors by very inattentive purchasers are of very little significance in trademark and unfair competition cases."

The Court of Appeals in the present case held that Petitioner's good faith is immaterial (p. B6) and the possibility of Respondent's expansion into the field of domestic satellite communications is an influential factor (p. B13). The Court's decision is in direct conflict with the decision of the Eighth Circuit in *Shoppers Fair of Arkansas, Inc. v. The Sanders Co., Inc.*, 328 F. 2d 496, 501 (1964), where the Court held the existence or non-existence of good faith by the second user to be a "powerful factor" in determining whether the prior user's name is entitled to protection in an area to which the business it identifies has not actually expanded.

If a Court of Appeals is bound to apply no other findings of fact once it has made a comparison of the marks, the protection afforded by § 32(1) of the Lanham Act creates a broad exclusive trade monopoly not intended by Congress. The Court of Appeals in its opinion cites no decision of its own or any other Court of Appeals which provides even tenuous support for a finding of infringe-

ment where the facts found by the District Court and not set aside on appeal indicate the existence of good faith, sophisticated purchasers, and dissimilar products, marketing methods and customers.[7]

There is no reported case in which the protection under § 32(1) of the Lanham Act has been so dramatically extended. Petitioner urges this Court to consider this important federal question and to settle conflicts between this Fourth Circuit decision and decisions of the Sixth, Eighth and Tenth Circuits.

II. THE COURT OF APPEALS' VIOLATION OF RULE 52(a) CONFLICTS WITH DECISIONS OF THIS COURT AND OTHER COURTS OF APPEALS.

The evidence in this case consists mainly of testimony by witnesses of both parties. The witnesses testified in detail about Petitioner's products, Respondent's services and the prospective and present customers of each. The District Court opinion sets forth detailed findings that are based primarily upon the testimony of witnesses seen and heard by Judge Thomsen. The Court of Appeals set aside certain findings of fact made by the District Court, but did

7. In *Durox Company* v. *Durox Paint Manufacturing Company*, 320 F. 2d 882 (CA 4, 1963), a completely different panel of judges affirmed a decision of Judge Thomsen holding that there was no likelihood of confusion arising from the use of the mark "Durox" applied to paint additives sold to the automotive specialty trade and "Duron" applied to paint and paint products sold in retail stores. The panel explicitly approved Judge Thomsen's reasoning and analysis of the law which is so clearly reflected in his numerous reported trademark opinions, such as *Durox Company* v. *Duron Paint Manufacturing Company*, 206 F. Supp. 917 (1962); *Huntington National Mattress Co.* v. *Celanese Corporation of America*, 201 F. Supp. 938 (1962); *Sears, Roebuck and Co.* v. *Allstates Trailer Rental, Inc.*, 188 F. Supp. 170 (1960); *Chayt* v. *Darling Retail Shops Corporation*, 175 F. Supp. 462 (1959); and *Perma-Stone Company* v. *Perma-Rock Products, Inc.*, 160 F. Supp. 616 (1958).

not explain how any of the District Court's findings were "clearly erroneous" under Rule 52(a) of the Federal Rules of Civil Procedure.

The District Court found that Respondent's name and mark "COMSAT" is weak (pp. A12, 15). It is an acronym, the first syllable of which is one of the most common prefixes in the English language and has a wide popularity in the formation of trademarks (Defendant's Exhibits 22, 23, 25, 43). The editor of the leading trade magazine in the computer industry gave unrefuted testimony that the computer industry is flooded with similar acronyms and that the proliferation is so great that the industry has "become quite accustomed to it" (Tr. 470-471). Respondent's own Director of Marketing testified that he had never seen any advertising by Respondent directed at the general public (Tr. 121). The probative value of Respondent's newspaper clippings and schedule of expenditures for recruitment, financial reports and internal publications was studied and weighed at the trial (Tr. 205-238, 281-284). The evidence indicated and Judge Thomsen found that Respondent's name and mark are less well known than its services (p. A16).

The Court of Appeals improperly set aside these findings and held the opposite, that Respondent's mark is strong and its name is famous (pp. B3-5). The Court of Appeals held that Respondent's acronym is a unique and distinctive word and that secondary meaning has been established by corporate newspaper and magazine publicity, a New York Stock Exchange listing, and expenditures for recruitment, stockholder reports and internal publications (p. B4).

Furthermore, the Court of Appeals set aside the District Court's finding of no likelihood of confusion on the improper ground that "several facts lead to the inference that confusion is likely" (p. B9). The Court of Appeals considered

this case as if it were the original trier of fact. It applied only those fragments of the evidence which tended to support the conflicting inferences drawn by it to reach the conclusion it desired. The Court of Appeals' decision conflicts directly with the principles announced by this Court in *United States* v. *United States Gypsum Co.*, 333 U. S. 364 (1948), and *United States* v. *Yellow Cab Co.*, 338 U. S. 338 (1949). In *Yellow Cab* this Court stated at 338 U. S. 342,

> "While, of course, it would be our duty to correct clear error, even in findings of fact, the Government has failed to establish any greater grievance here than it might have in any case where the evidence would support a conclusion either way but where the trial court has decided it to weigh more heavily for the defendants. Such a choice between two permissible views of the weight of evidence is not 'clearly erroneous.'"

By drawing conflicting inferences to set aside the specific finding of no likelihood of confusion between two trademarks or tradenames, the decision of the Court of Appeals conflicts directly with the decision of the Eighth Circuit in *Checker Food Products Company* v. *Ralston Purina Company*, 232 F. 2d 477 (1956), where the Court held that the issue of confusing similarity is an issue of fact for the trial court and not an issue of law for the Court of Appeals. The Eighth Circuit amplified its decision at pages 480-481 as follows:

> "There is no merit in the plaintiff's contention that confusing similarity was conclusively established by the evidence. What the plaintiff is, in effect, asking this Court to do is to retry this case and to substitute its judgment for that of the trial court. This the Court will not do. [Citing Eighth Circuit cases] The determination of the trial court that there was no confusing similarity between the trademarks in suit and that the defendant had not infringed the plaintiff's trade-mark

rights and had not engaged in unfair competition is not erroneous. The burden of proving confusing similarity was that of the plaintiff, and the defendant, as the prevailing party, is entitled to the benefit of all reasonable inferences which can be drawn from the evidence, viewed in the aspect most favorable to it. [Citing Eighth Circuit cases]"

In accord with the above decision of the Eighth Circuit are decisions of the Tenth Circuit in *Drexel Enterprises, Inc.* v. *J. R. Richardson*, 312 F. 2d 525 (1962) and the Fifth Circuit in *Sun-Maid Raisin Growers of California* v. *Sunaid Food Products, Inc.*, 356 F. 2d 467 (1966).

III. THE DECISION OF THE COURT OF APPEALS CONFLICTS WITH DECISIONS OF THE SUPREME COURT OF MARYLAND.

The Court of Appeals held that injunctive relief under Maryland law is justified if there is the possibility of confusion sufficient to impair the public's interest in accurately identifying the parties' businesses or to prejudice Respondent's image (pp. B10-11). The most recent applicable decision of the Supreme Court of Maryland holds that the criterion is whether the ordinary purchaser will be misled: *A & H Transportation, Inc.* v. *Save Way Stations, Inc.*, 214 Md. 325, 339, 135 A. 2d 289 (Oct. 1957). There is no authority under Maryland law that "proof [of likelihood of confusion] need only be slight", as stated by the Court of Appeals (p. B9).

The District Court's reliance on the *Restatement of Torts* 2d (T. D. No. 8) is well founded. The two principal tradename opinions in Maryland are replete with reliance on the *Restatement*: *A & H Transportation, Inc.* v. *Save Way Stations, Inc.*, *supra*; *National Shoe Stores Company* v. *National Shoes of New York*, 213 Md. 328, 131 A. 2d 909

(May 1957). The Court of Appeals' opinion omits consideration of both the *A & H Transportation* case and the *Restatement*. Chief Judge Roszel C. Thomsen, writing the District Court opinion, is an expert in Maryland law, having long experience in Maryland as a practicing trial lawyer, District Court Judge and professor of commercial law.[8] In contrast, no member of the Court of Appeals panel in this case has a Maryland background.

The Court of Appeals' extension of the common law protection of tradenames grants to Respondent an unauthorized trade monopoly in violation of the federal policy inherent in Section 2 of the Sherman Act.[9] This Court considered the relation of state unfair competition laws to the protection of unpatented products in *Sears, Roebuck & Co.* v. *Stiffel Company*, 376 U. S. 225 (1964), and *Compco Corporation* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964). In *Sears* this Court stated at page 232,

> "Doubtless a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their

8. Judge Thomsen, born and educated in Maryland, practiced law in Maryland from 1922 to 1954, taught commercial law at Johns Hopkins University from 1933 to 1943, was an instructor at the University of Maryland Law School from 1952 to 1955, became a Federal District Judge for the District of Maryland in 1954, and has been Chief Judge since 1955. Judge Thomsen has been a member of the United States Supreme Court's Advisory Committee on Civil Rules since 1960. *Who's Who in America*, Vol. 36, 1970-1971, p. 2276.

9. Section 2 of the Sherman Act, 15 U. S. C. § 2, provides, "Every person who shall monopolize . . . any part of the trade or commerce among the several states . . . shall be deemed guilty of a misdemeanor . . ." Section 32(1) of the Lanham Act, 15 U. S. C. § 1114, provides protection to registered marks to the extent that the use of a similar mark is likely to cause confusion among prospective purchasers, but there is no federal statute authorizing a tradename monopoly.

trademarks, labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods."

The use of tradenames and marks in interstate commerce will be severely restricted if one state grants a broad common law monopoly protection. This serious issue of an unauthorized trade monopoly can be avoided only if the common law principles applicable to tradenames are cast within the concept of unfair competition which requires confusion of prospective purchasers; see *The Supreme Court 1963* Term, 78 Harv. L. Rev. 143, 309-312.

IV. CONCLUSION.

This case raises important federal questions appropriate for review by this Court under Rule 19. Petitioner urges that a writ of certiorari issue to review the judgment and opinion of the Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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APPENDIX A.

IN THE UNITED STATES DISTRICT COURT
For the District of Maryland.

COMMUNICATIONS SATELLITE CORPORATION,
vs.
COMCET, INC.
CIVIL No. 20343.

Filed: June 5, 1969.

Leslie D. Taggart, Frank J. Colucci and Watson, Leavenworth, Kelton & Taggart, and George W. McDonald, Jr., all of New York, New York, William H. Berman, of Washington, D. C., and Russell R. Reno, Jr., and Venable, Baetjer and Howard, of Baltimore, Maryland, for plaintiff.

Joe A. Sutherland and William L. Morrison, of Chicago, Illinois, and Michael P. Crocker, of Baltimore, Maryland, for Defendant.

THOMSEN, *Chief Judge.*

This is a civil action for alleged infringement of plaintiff's trade name and registered service mark COMSAT and for unfair competition. Jurisdiction concededly exists. Plaintiff seeks injunctive relief,[1] but concedes that it has not proved any damages.

1. Plaintiff seeks to enjoin defendant "from using 'COMCET, INC.'; 'COMCET' and any similar notation in the advertising, offering for sale and sale of its securities to the public, from using 'COMCET, INC.', 'COMCET' and any similar notation in the advertising or promotion of any products including communications computers which it proposes to develop, manufacture and market, and from using 'COMCET, INC.', 'COMCET' and any similar notation in connection with its business, including its prospective business of developing, manufacturing and servicing computers, which computers it may in the future develop, and from otherwise competing unfairly with plaintiff."

Findings of Fact.

Plaintiff.

1. Communications Satellite Corporation (plaintiff) is a District of Columbia corporation, incorporated on February 1, 1963, under the authority of the Communications Satellite Act of 1962 (the Act), 76 Stat. 419, 47 U. S. C. A. 701 *et seq.* The Act declares that it is the policy of the United States to establish as expeditiously as practicable a "commercial communications satellite system", and provides for the creation of a private corporation, subject to appropriate governmental regulation by the Federal Communications Commission (FCC).

2. Plaintiff is a communications common carrier, which provides global communications service via space satellite for the transmission of telephone (voice), television, telegram, teletype and data traffic. It is the only entity in the United States authorized to provide such service, but it competes with companies which offer similar communications services via microwave facilities, high frequency radio or cable. Plaintiff is not authorized by the FCC to provide any communications services via satellite for use between points within the continental United States.

3. Plaintiff is primarily a common carrier's common carrier, since it is authorized by the FCC to sell its satellite communications services only to other communications common carriers and to the Federal Government.[2] The Act does not prohibit the FCC from authorizing plaintiff to provide its communications services directly to others, but the FCC has not done so. Plaintiff sells its services to only six customers: 5 communications common carriers

2. Plaintiff's ancillary activities include research and development at its laboratories and the furnishing of technical assistance to its customers and their customers.

(A. T. & T., I. T. & T., W. U. Int'l, RCA Global Organizations and Hawaii Telephone Co.) and NASA. Plaintiff's customers, except NASA, are also stockholders.

4. Plaintiff does not manufacture or sell any products commercially, and is not authorized by the Act to do so.

5. Plaintiff has used COMSAT as its trade name since early 1964, and since October 1964 has used COMSAT as a service mark for its communications services via satellite. COMSAT is an acronym made up of the first syllable of two descriptive words: "communications" and "satellite".

6. Plaintiff registered its service mark COMSAT in the United States Patent Office for communication services via satellite on May 2, 1967.[3] On December 5, 1967, it made a similar registration[4] of COMSAT, using a globe as a substitute for the letter "O".

7. Plaintiff has spent about a million dollars over the years in promoting its communications services via satellite and in recruiting personnel, using its trade name and mark in such promotion and recruiting. Plaintiff's sales of its services have amounted to many millions of dollars.

8. Plaintiff's stock has been traded on the New York Stock Exchange since September 8, 1964. It is listed in the reports of the New York Stock Exchange results as Comsat.

9. Plaintiff has been referred to as COMSAT or Comsat in national magazine articles and in articles which have appeared in the daily press throughout the country over the past five years.

10. Since plaintiff does not sell its services to the general public, it does little or no advertising. Nevertheless,

3. Registration No. 828,366, in Class 104.

4. Registration No. 841,095, also in Class 104.

as a result of plaintiff's promotional activities and the publicity it has received, COMSAT has become recognized throughout the United States as identifying and distinguishing plaintiff and its communications services.

Defendant.

11. Comcet, Inc. (defendant) was incorporated in Maryland on February 5, 1968. It is one of a family of companies related to Comress, Inc., which was incorporated in Maryland in 1962. All of the related companies—Comress, Inc., Computer Network Corporation (Comnet), Commed, Inc., Comcet, Inc., and Computer Microtechnology, Inc.—are engaged in various segments of the computer industry.[5]

12. Defendant is engaged in the business of developing, manufacturing and selling computers and related hardware and software. It has introduced and is now demonstrating and marketing the Comcet 60 Computer Communications System, which combines a computer, memory and interfacing units, monitoring equipment and software. It is designed to handle the communications requirements of a multiterminal system,[6] and thus permit a large and

5. Satellite Computing, Inc., generally known as Satcom, is also related to the Comress group. Satcom is a Virginia corporation, which provides certain services utilizing satellite computers. The term satellite computer is a recognized term in the computer industry and refers to a particular type of computer and not to space satellites used for any purpose. Defendant's president has been a director of Satcom since its incorporation. Comnet, which operates a time-sharing computer network, has furnished to Satcom computer time, which was not being used by Comnet, in return for which Comnet will be entitled to become a stockholder of Satcom to the extent of 51% of its stock.

6. Defendant's computers and related equipment are designed to handle a wide variety of communications circuits and terminal devices, including teletypewriter, voice grade and broad band circuits, as well as remote punch card and line printer units, time-sharing terminals, and graphic display terminals.

relatively expensive data processing computer, such as an IBM 360 or a Univac 1108 (with both of which it is compatible) to realize more fully its data processing potential. Defendant markets its computers through its own sales staff to users of large data processing systems.

13. The Comcet 60 System is priced at about $200,000. A decision to purchase one or more of defendant's computers will be made by executives and top technical personnel after extensive contact and work with defendant's personnel.

14. Defendant's president, Lee Johnson, is widely known in the computer field; he and other members of defendant's management and technical personnel have had many years of experience with computers.

15. In January or February 1968, Johnson and Donald Herman, defendant's chairman, chose Comcet, Inc., as defendant's corporate name, intending to use Comcet or COMCET as its trademark. Comcet is an acronym for computer communications engineering technology. The syllable "Com" was chosen to suggest defendant's products (computers) and its relationship to the Comress family of companies. The letter "c" in the second syllable was chosen because the word "communications" describes the type of computers to be manufactured; the "e" and "t" and the words they represent were chosen to round out a euphonious name, which would aid defendant in establishing a lead in its particular and narrow market in competition with its potential competitors, such as IBM, Control Data, Sperry Rand, General Electric and Honeywell. Some of those companies now make devices which perform somewhat the same function as the Comcet 60, and some or all of those companies may be expected in the near future to produce competitive computers. Defendant did not obtain a trademark search report of similar names. The evidence shows, however, that many two-syllable words having

"com" as the first syllable have been registered. When defendant's chairman and president decided to adopt Comcet as defendant's name and trademark, they knew that plaintiff's trade name and service mark was COMSAT, but they did not believe that they would ever be in competition with COMSAT and did not adopt Comcet or COMCET with any intention of using or obtaining the benefit of whatever good will plaintiff has established for its name and service mark COMSAT.

16. Defendant issued a prospectus on October 15, 1968, in which a certain amount of its common stock was offered to the public at a stated price.[7] Before the prospectus was issued, the Securities and Exchange Commission suggested to defendant by letter dated September 13, 1968, that "A parenthetical phrase disclosing that the registrant is not related to 'Comsat', Communications Satellite Corporation, should be inserted immediately following the registrant's name on the cover page of the prospectus." Defendant decided to follow rather than contest the SEC suggestion, and inserted at the head of its prospectus immediately after its corporate name: "Not related to 'Comsat', Communications Satellite Corporation".

17. Defendant's stock is traded over-the-counter and is generally referred to as Comcet.

18. Promptly after the prospectus was issued, plaintiff complained to defendant of its use of the name Comcet.

19. The 90-day period following the issuance of defendant's prospectus expired one day before this lawsuit was filed. Defendant, therefore, had not advertised any of its products prior to the commencement of the suit, but had prepared "prototype hardware", to which it had attached the mark COMCET 60, and had prepared elaborate advertisements for Comcet 60 systems, which were pub-

7. All of the stock referred to in defendant's prospectus has been sold to the public, except that reserved for designated persons.

lished in "Datamation", a magazine of the computer industry, in its April 1969 issue. Copies of this advertisement have also been circulated among prospective customers during the year 1969.

20. Defendant has received one firm order for six computers from Comnet, one of its related companies. Two independent companies have agreed orally to purchase computers from defendant but have not yet signed formal orders.

The Relationship Between the Communications and Computer Industries.

21. Plaintiff and defendant are in different but sometimes interrelated industries.[8]

22. In 1967 plaintiff, in association with IBM, made tests of high speed transmission of data by computers via communication satellite. These tests have demonstrated the potential of plaintiff's satellite system for high speed transmission of data from computer to computer. Plaintiff's communications services are presently utilized by NASA for the transmission of data from computer to computer, and these operations are now being expanded.

23. In December 1968, pursuant to the rules of the FCC, plaintiff established its tariff for wide band (48 KHz channels) communication services via satellite suitable for the high speed transmission of data, and plaintiff is presently marketing such services.

24. Plaintiff used computers (a) to develop information which controls launch maneuvers of a satellite during the period just prior to, during, and just after a launch of a new satellite, (b) to develop pointing data for earth stations

8. In 1966 (Docket No. 16979) the FCC considered the interdependence of computers and communications services, but none of its findings are important on the issues in this case.

to enable them to find the satellite in orbit, lock-on to it, and work with it, and (c) to develop access, a new technique of using the satellite for more than one user, or set of users, on a single communications channel.

25. Data sent from a computer in the United States to a computer in Europe by way of plaintiff's satellite travels from the original computer in the United States through some communications service, such as A. T. & T., to plaintiff's earth station in the United States; thence it is transmitted via plaintiff's satellite to plaintiff's earth station in Europe; thence it is transmitted by a communications carrier to the receiving computer in Europe. If the owner of the receiving computer purchases one of defendant's computers, it will be used as an adjunct to the receiving (data processing) computer, and not as part of plaintiff's communications services.

DISCUSSION, ULTIMATE FINDINGS AND CONCLUSIONS.

The Lanham Act (the Act) as amended October 9, 1962, provides in § 32, 15 U. S. C. A. 1114:

> "(1) Any person who shall, without the consent of the registrant—
>
> "(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; * * * shall be liable in a civil action by the registrant * * *."

Before the 1962 Amendment, § 32(1) included the words "purchasers as to the source or origin of such goods or services" after the word "deceive". The legislative history makes it clear that the reason for eliminating the word "purchasers" was because "the provision actually relates

to potential purchasers as well as to actual purchasers". See particularly Sen. Rep. No. 2107, Sept. 18, 1962, U. S. Code Cong. & Adm. News, pp. 2847; 2850, 2851.

The term "mark" is used in the Lanham Act to include service marks as well as trademarks. § 45 of the Act, 15 U. S. C. A. 1127.

A trade name may, if used as a trademark to identify and distinguish goods or services, also be a trademark. When a trade name has acquired trademark status, it is entitled to protection from infringment the same as any other trademark. *Little Tavern Shops* v. *Davis*, 116 F. 2d 903 (4 Cir. 1941).

The development of the law with respect to infringement of trademarks (whether for goods or services) and trade names is discussed at length in the Restatement of Torts 2d, Tentative Draft No. 8, April 22, 1963, hereinafter referred to as T. D. 8. That draft was discussed at the 40th Annual Meeting of the A. L. I. on May 23, 1963, and the several sections were approved with a few modifications. See A. L. I. Proceedings 1963, pp. 138-194, and 321-323.

Section 717 of T. D. 8, headed "General Statement of Conditions of Infringement", as so modified (op. cit. pp. 156, 163, 164), states in pertinent part:

> "(1) One infringes another's trademark, collective mark or tradename if, without a privilege to do so, he uses on or in connection with his goods, services or business a designation which so resembles the other's previously used mark or tradename as to be likely to cause confusion, mistake or deception by leading prospective purchasers to believe that
>
> "(i) the actor's goods or services are those of the other, or,
>
> "(ii) the actor's goods or services emanate from the same source as the other's goods or services, or

"(iii) the actor's goods or services are approved or sponsored by the other, or

"(iv) the actor's business is the business of, or is in some manner associated or connected with, the other,

even though the actor does not use the designation with a purpose to deceive."

As so modified, § 717 states the prevailing law.

For the reasons stated more fully below, under the discussion of § 729(c-d) of T. D. 8, this Court finds that plaintiff and defendant utilize different marketing channels, and are not competitors. However, the rule stated in § 717 recognizes that rights in a mark may be enforced not only when the alleged infringer is using them on or in connection with goods or services which are in competition with goods or services offered by the owner of the mark, but also in appropriate cases where the goods or services offered by the respective parties are not in competition.[9]

The factors which should be considered in determining whether or not there has been infringement in this case are set out in §§ 729 and 731 of T. D. 8. The only modifications made to those proposed sections at the 1963 meeting were to eliminate the words "for goods or services" after the word "trademark" at the beginning of each section, since the word trademark is defined in § 715 as a mark used for goods or services. See also 15 U. S. C. A. 1127. Brackets surround the words so eliminated in the sections

9. See *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 383 (1926); *Durox Co.* v. *Duron Paint Mfg. Co.*, 320 F. 2d 882 (4 Cir. 1963); *John Walker & Sons, Ltd.* v. *Tampa Cigar Co.*, 222 F. 2d 460 (5 Cir. 1955); *Eskimo Kooler Corp.* v. *Eskimo Pie Corp.*, 235 F. 2d 3 (7 Cir. 1956); *Esquire, Inc.* v. *Esquire Slipper Mfg. Co.*, 243 F. 2d 540 (1 Cir. 1957); *Sears, Roebuck & Co.* v. *Johnson*, 219 F. 2d 590 (3 Cir. 1955); *Chemical Corp. of America* v. *Anheuser-Busch, Inc.*, 306 F. 2d 433 (5 Cir. 1962); *Polaroid Corp.* v. *Polaraid, Inc.*, 319 F. 2d 830 (7 Cir. 1963).

as set out in notes 10 and 11 in the margin. Some of the factors listed in those sections overlap, but they will be considered seriatim, beginning with those listed in § 729, dealing with "Resemblance of Marks".

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10. "§ 729. Factors In Determining Infringement—Resemblance of Marks.

"In determining whether or not an actor's designation infringes another's trademark [for goods or services], collective mark, certification mark or tradename under the rule stated in § 717, the following factors, among others, concerning the designation and the mark or name are important:

"(a) The degree of resemblance between the designation and the other's tradename, trademark or certification mark in

"(i) appearance;
"(ii) pronunciation of the words involved;
"(iii) translation of the words involved;
"(iv) verbal translation of the pictures or designs involved;
"(v) suggestiveness, connotation or meaning of the actor's designation and the tradename, trademark or certification mark involved;

"(b) the intent of the actor in adopting and using the designation;

"(c) the similarity of circumstances and conditions surrounding the purchase of the goods or services involved;

"(d) the degree of care likely to be exercised by purchasers of the goods or services involved."

11. "§ 731. Factors In Determining Infringement—Relationship Between Involved Goods, Services or Business.

"In determining whether or not an actor's designation infringes another's trademark [for goods or services], collective mark, certification mark or tradename under the rule stated in § 717, the following factors, among others, concerning the goods, services or business are important:

"(a) the likelihood that the actor's goods, services or business will be confused with or mistaken for those of the other;

"(b) the likelihood that the other may expand his business so as to compete with the actor;

"(c) the extent to which the goods or services involved have common purchasers or users;

"(d) the extent to which the goods or services involved are sold

(a) The name and mark COMSAT or COMSAT on the one hand and Comcet or COMCET on the other do not look alike. They are, however, often pronounced very much alike, since the first syllable of each is usually accented. Both are weak marks. *Durox Co.* v. *Duron Paint Mfg. Co.*, 320 F. 2d 882 (4 Cir. 1963). Both are acronyms. The first syllable of each is derived from the first syllable of a word in common use, although the words—communications and computer—are different words, with different meanings and connotations. The syllable "com" is used in the names or marks of other companies in the separate but sometimes related fields of communications and computers.

(b) Those who chose and adopted Comcet as a name and trademark did not intend to derive any benefit from plaintiff's reputation or good will. See Finding 15, above. They knew of plaintiff's existence and business when they chose the name, and knew that there was a similarity in the pronunciation of the names, but did not believe that there was any likelihood of confusion, even when the possibility was suggested to them by the SEC and by plaintiff.

(c)-(d) The circumstances and conditions surrounding the purchase of plaintiff's services by its customers and of defendant's computers and related hardware and software by its prospective customers are quite dissimilar, even

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by the same marketing methods and marketed through the same channels;

"(e) the relation between the functions and uses of the goods or services involved;

"(f) the degree of distinctiveness of the mark or trade name;

"(g) the degree of attention usually given to trade symbols in the purchase of the goods or services involved;

"(h) the length of time during which the actor has used the designation;

"(i) the intent of the actor in adopting and using the designation;

"(j) the celebrity of the mark or tradename involved."

when defendant solicits business from the communications common carriers and NASA, who are plaintiff's only customers. The circumstances would continue to be dissimilar even if plaintiff is allowed to offer its services to other business or government entities, and if defendant develops a broader line of "hardware" and "software". From time to time persons who purchase defendant's computers or systems may use various communications services, including plaintiff's. And one of plaintiff's customers—a communications common carrier, NASA or some other agency of the Federal Government—may in the future purchase one or more computers or systems from defendant, but they would not be used as a substitute for or as part of plaintiff's services. In view of the large amounts of money and the high technical competence required of those who purchase and use what is offered by the parties, the representatives of the prospective purchasers are likely to exercise a high degree of care in learning all the details.[12]

The factors listed in § 731, see n. 11, are important in considering the relationship between the goods, services and business of the respective parties.

(§ 731)-(a) For the reasons discussed above, particularly in (c)-(d) under § 729, there is no likelihood that defendant's goods, services or business will be confused with or mistaken for plaintiff's.

(b) It is not likely that either will expand its business to compete with the other.

(c) Plaintiff argues that everyone in the United States is a potential indirect customer of plaintiff, since all may view pictures on television screens, or may hear sounds which have been transmitted via plaintiff's satellites. This is an unwarranted extension of the meaning of the word customer.

12. See *Durox Co.* v. *Duron Paint Mfg. Co.*, supra, 320 F. 2d at 884, 885.

Plaintiff also argues that many businesses are indirect customers of plaintiff, since they use the services of one or more of plaintiff's direct customers, who in turn may use plaintiff's services. Plaintiff's marketing representatives have been in contact with a number of companies throughout the United States which have substantial communications needs, including data traffic. The purpose of these contacts is to interest the companies in utilizing plaintiff's services and then direct them to the appropriate common carrier from which plaintiff's services can be purchased. Some 16 large companies have been contacted both by plaintiff (to urge them to require or request the carrier they employ—A. T. & T., I. T. T. etc.—to make use of plaintiff's services) and by defendant (for the purpose of soliciting sales of its computers). But they normally interview different men, in different divisions of the companies, all of whom are highly sophisticated and knowledgeable in the communications and computer fields. Even though plaintiff may urge some concerns to use directly or indirectly plaintiff's satellites in transmitting data from one computer to another, no one who contemplates purchasing defendant's goods or plaintiff's services is likely to confuse the two.

(d) As found above, the goods and services involved are not marketed through the same channels, or sold by the same marketing methods, unless interviews with sophisticated personnel of large enterprises may be considered the same marketing method.

(e) Plaintiff furnishes communications services via satellite, which may include transmission of data from computer to computer. Defendant manufactures and sells computers, which may be used to receive, sort and store data which has been transmitted part of the way by plain-

tiff's satellite services,[13] as well as for other purposes. In particular instances, plaintiff's services and defendant's computers may both be used by the same customer, but they are not likely to be confused.

(f) As noted in (a) under § 729, plaintiff's mark is a weak mark.

(g) The highly sophisticated and technical nature of the computer business reduces the importance of trade symbols to defendant's potential customers. The common carriers and government officials who are plaintiff's customers are equally knowledgeable.

(h) Defendant has used Comcet as its name since its incorporation early in 1968, but has used it as a trademark only since January 1969, when the 90-day period following the public offering of its stock expired. Defendant advances as an equity in its favor that it is a small company competing with giants, that it has invested substantial sums in bringing its Comcet 60 System to the attention of persons responsible for buying and using large computers, and that it would seriously damage its competitive position to have to change its name now. This appealing argument is minimized by the fact that plaintiff objected to defendant's use of the name and mark before the mark was used in advertising or the name was used to any considerable extent except in the stock offering. Defendant could then have adopted some other name or mark without sustaining the loss of its intervening promotional costs.

Nonetheless, plaintiff is not entitled to prevent defendant's use of the name and mark Comcet unless such use would constitute an infringement of plaintiff's mark, applying the principles now being discussed.

(i) As noted above in (b) under § 729 and in Finding 15, defendant did not intend to appropriate any part of

13. Most such data are now transmitted by cable rather than by plaintiff's services.

plaintiff's goodwill or to derive any benefit from plaintiff's reputation.

(j) Plaintiff's services are celebrated; its name and mark are less well known.

Defendant has not used its trademark COMCET or its trade name Comcet, Inc., in connection with the sale, offering for sale, distribution or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive. Defendant therefore has not violated § 32(1) of the Lanham Act, 15 U. S. C. A. 1114. Nor has there been any infringement under the principles stated in § 717(1) of T. D. 8. Prospective purchasers are not likely to believe: (i) that defendant's goods are those of plaintiff, nor (ii) that they emanate from the same source as plaintiff's services, nor (iii) that they are approved or sponsored by plaintiff, nor (iv) that defendant's business is the business of, or is associated or connected with plaintiff's business.

Plaintiff suggests, however, that the adoption of the name Comcet by defendant, the offering of its stock to the public, and the consequent trading of such stock over-the-counter, has tended to confusion and mistake in the minds of investors who may have bought stock in defendant thinking they were buying stock in plaintiff, and that this may cause some future damage to plaintiff's corporate image. Plaintiff also argues that the use of the name Comcet in defendant's publicity releases and otherwise, although such use may not violate § 32(1) of the Lanham Act, is likely to cause confusion or mistake in the minds of the public generally, even if they are not prospective purchasers of the goods, services or securities of either plaintiff or defendant.

The evidence of possible confusion in the minds of investors consists of only a few items: (1) The suggestion of the SEC, acquiesced in by defendant, that it include

at the head of its prospectus, under the name Comcet, Inc., the words "Not related to 'Comsat', Communications Satellite Corporation"; (2) the testimony of a NASA engineer that his stockbroker from time to time buys for him new issues and other stocks without previous order; that the broker reported to the witness he had bought some shares of Comcet, Inc., and the witness momentarily thought he had bought stock in plaintiff, but quickly realized the difference; and (3) the testimony of the compliance analyst of the firm which distributed defendant's stock offering that no incident of any confusion had been reported to them. The last item carries little weight, but on the whole evidence the Court finds that there is virtually no likelihood of confusion in the minds of investors. Moreover, no damage or likelihood of damage to plaintiff's image in the minds of investors has been proved. The Lanham Act does not seek to protect investors, as such. On the other hand, common law principles may in a proper case protect investors, as well as other members of the public, from confusion, mistake or deceit arising out of the appropriation by one concern of the trade name of another. The evidence in this case, however, does not support a claim to any such relief.

Assuming, without deciding, that any right of action may lie, upon a proper showing, for damage to a plaintiff's corporate image or goodwill in the minds of the man or woman in the street, as distinguished from prospective purchasers of the plaintiff's goods, services or securities, no such showing has been made here.

Defendant has not been guilty of any unfair competition with plaintiff.

Judgment will be entered in favor of the defendant, with costs.

/s/ ROSZEL C. THOMSEN,
Chief Judge, U. S. District Court.

APPENDIX B.

UNITED STATES COURT OF APPEALS

For the Fourth Circuit

No. 13,822

COMMUNICATIONS SATELLITE CORP., *Appellant*,

versus

COMCET, INC., *Appellee*.

Appeal from the United States District Court for the District of Maryland. Roszel C. Thomsen, Chief Judge.

(Argued April 7, 1970 Decided July 14, 1970.)

Before BRYAN, CRAVEN, and BUTZNER, *Circuit Judges*.

Francis C. Browne (Richard G. Kline; Russell R. Reno, Jr., and Venable, Baetjer & Howard; David C. Acheson, William H. Berman, J. Frank Osha, and Browne, Beveridge & Degrandi on brief) for appellant; Joe A. Sutherland (James G. Reynolds; William L. Morrison; Michael P. Crocker and Piper & Marbury; and Gardner, Carton, Douglas, Chilgren & Waud on brief) for appellee.

BUTZNER, *Circuit Judge:*

Communications Satellite Corporation (Comsat), claiming trade name infringement, trademark infringement, and deceptive trade practices, brought this action against Comcet, Inc., to enjoin it from using Comcet as a trade name and trademark.[1] The district judge found that Comsat's services and Comcet's products are dissimilar and noncompetitive; that expansion leading to future competition is improbable; that the parties' customers are highly sophisticated and knowledgeable; and that "there is virtually no likelihood of confusion in the minds of investors." Primarily because of these factors, he concluded that Comcet's goods, services, or business are not likely to be confused with Comsat's. He also held that the evidence was insufficient to show damage to Comsat's image or good will and that Comcet was not guilty of unfair competition. Characterizing Comsat and Comcet as weak marks because they are acronyms derived from words in common use, he ruled that Comcet does not infringe Comsat's trade name or mark.[2] We reverse and remand the case for the entry of a decree enjoining Comcet, Inc., from using Comcet as either a trade name or a trademark.

I. *Comsat.*

Communications Satellite Corporation, established by the Communications Satellite Act of 1962 [47 U. S. C. §§ 701 *et seq.*], began using Comsat as its trade name shortly after its incorporation early in 1963 and as its service mark in October 1964. Since then, Comsat has

1. Jurisdiction is based on diversity of citizenship—Comsat is a District of Columbia corporation and Comcet is a Maryland corporation—and on the Lanham Act, 15 U. S. C. §§ 1051 et seq.

2. *Communications Satellite Corp.* v. *Comcet, Inc.*, 300 F. Supp. 559 (D. Md. 1969).

become renowned for its world-wide satellite communications system. Although other United States companies provide intercontinental communications service by radio and cable, Comsat alone is authorized to use satellites for this purpose. It furnishes services for all types of communications traffic, including voice, record, data, and television. By its own efforts, or through contracts with others, it conducts extensive research and development, and recently in association with IBM, it tested high speed transmission of data by computers via satellite. NASA now uses its services for the transmission of data from computer to computer.

Comsat is authorized by the Federal Communications Commission to sell global communications service only to other communications common carriers and to the federal government. Presently, it serves NASA and five communications common carriers—AT&T, IT&T, RCA Communications, Western Union International, and Hawaiian Telephone. It seeks to expand the market for its services by inducing many businesses to utilize its satellites through connections with the common carriers it serves. Comsat presently is limited to providing intercontinental communications services, but recently the FCC requested proposals from Comsat and other common carriers for a domestic satellite system. FCC Docket 16495 (1970).

II. *Comsat's Name and Mark.*

Comsat is a coined word that is not found in any dictionary. No one else is using it as a trade name, trademark, service mark, or for any other purpose. Comsat has only one function. It uniquely identifies the plaintiff's business and services. Contrary to the position taken by Comcet and the conclusion reached by the district judge, we believe Comsat's derivation from *communications* and

satellite does not make it a weak mark. In *Durox Co.* v. *Duron Paint Mfg. Co.*, 320 F. 2d 882, 884 (4th Cir. 1963), upon which the defendant relies, we observed that Durox and Duron were weak marks because *Dur* is suggestive. Connoting durability, it rendered the marks descriptive, and it had been used to describe this quality in other marks for protective and decorative coatings.[3] In contrast, while *Com* is the first syllable of many other marks, it is not uniquely descriptive of communications. Indeed, Comcet uses *Com* as an abbreviation for *computers*, and it enjoys wide popularity as a prefix in other marks for abbreviating such words as *community*, *compatible*, *comprehensive*, and *commercial*. Descriptive words, we recognize, are to be accorded only narrow protection as trade names or trademarks, but Comsat, we hold, is not such a word. It is unique and distinctive.

Regardless of its origin, Comsat has established a secondary meaning that qualifies it for protection. Cf. *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U. S. 315, 335 (1938). Comsat has spent about a million dollars using its name in promoting services and recruiting personnel. Its sales have amounted to many millions of dollars. Its stock, listed as Comsat, has been traded on the New York Stock Exchange since 1964. National magazines and newspapers frequently refer to the plaintiff by its trade name, Comsat. Indeed, as the district judge observed, "COMSAT has become recognized throughout the United States as identifying and distinguishing plaintiff and its communications services." These facts, coupled with Comsat's uniqueness as a coined word, establish it as a strong mark and a famous name. Cf. *Polaroid Corp.* v. *Polaraid, Inc.*, 319 F. 2d 830, 831 (7th Cir. 1963);

3. But see *In re Dobeckmun Co.*, 286 F. 2d 187 (C. C. P. A. 1960), which rejects an argument based on the descriptive nature of the prefixes *Dura* and *Duro*.

Telechron, Inc. v. *Telicon Corp.*, 198 F. 2d 903, 908 (3rd Cir. 1952). As such, it is entitled to broad protection, for counterfeits more successfully prey on strong marks than on weak. See *Arrow Distilleries, Inc.* v. *Globe Brewing Co.*, 117 F. 2d 347, 349 (4th Cir. 1941); Schechter, *The Rational Basis of Trademark Protection;* 40 Harv. L. Rev. 813, 825 (1927).

III. *Comcet.*

Comcet, Inc., organized in 1968, is one of a family of computer companies related to Comress, Inc.[4] It is not, however, a wholly owned subsidiary, and its stock is traded over the counter. Comcet develops, manufactures, and sells communications computers which receive data over telephone and teletype lines, edit and verify the information, and relay it to data processing computers at appropriate times.

Before this suit was instituted, Comcet had only prepared advertisements and a prototype computer that it called Comcet 60. The advertisements were circulated after suit was filed. Comcet's computers sell for about $200,000. It has received a firm order for six computers from one of its related companies, and tentative orders for two from independent companies.

IV. *Comcet's Name and Mark.*

The name Comcet was selected in a one-hour meeting of two of the corporation's organizers. *Com* was chosen to suggest *computers* and the corporation's relationship to Comress; *c* stands for *communications; e* and *t* were selected to round out the name with a euphonious ending.

4. Comress in an acronym for *computer research systems* and *software*. Related companies are Computer Network Corporation (Comnet), Commed, Inc., which is an acronym for *computers* and *medicine*, and Computer Microtechnology, Inc.

Comcet, its organizers testified, is an acronym for *computer communications engineering technology*. The district court found that the men who selected Comcet knew of Comsat; that they did not believe Comcet would ever compete with Comsat; and that they did not adopt Comcet with any intention of capitalizing on Comsat's good will.

The Securities and Exchange Commission required Comcet, to state in its prospectus: "Not related to 'Comsat', Communications Satellite Corporation." Moreover, Comsat promptly complained to Comcet of the similarity of names. Comcet, however, declined to change its name and mark.

V. *Comparison of the Names and Marks.*

There can be no doubt about the resemblance of Comcet to Comsat. They sound almost identical, and visual differences are slight. Whether the test be common law or statute, the likeness is so striking that it is apparent that Comcet—though requested not to do so—is using a colorable imitation of Comsat's name and mark. 15 U. S. C. § 1127; cf. *Telechron, Inc.* v. *Telicon Corp.*, 198 F. 2d 903, 908 (3rd Cir. 1952); *Little Tavern Shops, Inc.* v. *Davis*, 116 F. 2d 903, 906 (4th Cir. 1941); see 3 Callmann, *Unfair Competition, Trademarks and Monopolies* § 82.1(a) (3d ed. 1969). It is moreover, no defense to this action that the defendant's organizers adopted the name, Comcet, without intention to trade on Comsat's image and good will. While evil intent may evidence unfair competition and deception, lack of guile is immaterial. *Best & Co.* v. *Miller*, 167 F. 2d 374, 377 (2d Cir.), *cert. denied*, 335 U. S. 818 (1948); *Edmondson Village Theatre, Inc.* v. *Einbinder*, 208 Md. 38, 116 A. 2d 377, 381 (1955).

VI. *Trade Name Infringement.*

Quite apart from its claim for trademark protection, Comsat has a distinct and separate cause of action to restrain infringement of its trade name. *Telechron, Inc.* v. *Telicon Corp.*, 97 F. Supp. 131, 141 (D. Del. 1951), *aff'd*, 198 F. 2d 903 (3rd Cir. 1952). Trade name protection finds its genesis in the common law, which in Maryland has been succinctly summarized in *Drive It Yourself Co.* v. *North*, 148 Md. 609, 130 A. 57, 59 (1925), as follows:

> "[The right of a corporation to the exclusive use of its own name] exists at common law, and it includes the further right to prohibit another from using a name so similar to the corporate name as to be calculated to deceive the public."[5]

Following Nims, *Unfair Competition and Trademarks* §§ 10 and 11 (4th ed. 1947), the Maryland Court of Appeals classifies cases dealing with trade name protection into three general categories—(1) cases protecting a name consisting of distinctive, unique or fanciful words; (2) cases where actual fraud and deceit are employed; and (3) cases protecting a name, which, though consisting of words in common use, has acquired a secondary meaning. *National*

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5. Maryland has also adopted a statute, patterned on the Model Corporation Act, prohibiting the use or imitation of trade names. Md. Ann. Code art. 23, § 5(a)(3) (1966). In *National Shoe Stores Co.* v. *National Shoes of N. Y.*, 213 Md. 328, 131 A. 2d 909, 911 (1957), the Court of Appeals construed this statute to restate the common law as set forth in *Drive It Yourself Co.* v. *North*, 148 Md. 609, 130 A. 57, 59 (1925):

> Trade names, as such, are not registrable under the Lanham Act. Courts differ over the extent to which §§ 44(b), (g), (h), and (i) of the Act [15 U. S. C. §§ 1126(b), (g), (h), and (i)] confer federal jurisdiction for the protection of trade names—a question we need not decide here. Compare *Stauffer* v. *Exley*, 184 F. 2d 962 (9th Cir. 1950) with *Royal Lace Paper Works, Inc.* v. *Pest-Guard Products, Inc.*, 240 F. 2d 814 (5th Cir. 1957). See 4 Callmann, *Unfair Competition, Trademarks and Monopolies* § 98.4(e) (3d ed. 1970).

Shoe Stores Co. v. *National Shoes of N. Y.*, 213 Md. 328, 131 A. 2d 909, 912 (1957). Comsat falls within the first class of names, for it is distinctive, unique, and fanciful. Authority for affording it broad protection is found in *National Shoe*, where the Court said [131 A. 2d at 912] "usually, the appropriation of such words alone is sufficient to give rise to a protectible right in the name."

A trade name symbolizes the reputation of a business. Consumers are interested in the quality and cost of the goods or services it offers; suppliers are concerned with the prompt payment of bills and credit standing; investors, with financial stability, return and growth; labor, with rates of pay, fringe benefits, and personnel policies; and the general public, with management's participation in public affairs. All of these factors, and more, make up "the communal mosaic in which a business enterprise must fit" and which its trade name reflects. 3 Callmann, *Unfair Competition, Trademarks and Monopolies* § 66.2, at 27 (3d ed. 1969). Infringement of a trade name is a tort touching all of these factors. The gist of the wrong is the "invasion or violation of an individual trade identity." Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 Mich. L. Rev. 967, 990 (1952); see also *National City Bank* v. *National City Window Cleaning Co.*, 174 Ohio 510, 190 N. E. 2d 437, 439 (1963). Judge Learned Hand aptly described the harm of infringement in *Yale Electric Corp.* v. *Robertson*, 26 F. 2d 972, 974 (2d Cir. 1928):

> "This is an injury, even though the borrower does not tarnish [the mark], or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful."

In most jurisdictions to obtain an injunction against trade name-infringement, a plaintiff must prove that the public will likely be confused about the parties' goods, services, or businesses.[6] With respect to names that have acquired a secondary meaning, the Maryland Court of Appeals has expressly stated that "proof of actual confusion in specific instances is not necessary." *National Shoe Stores Co.* v. *National Shoes of N. Y.*, 213 Md. 328, 131 A. 2d 909, 913 (1957). While Maryland has not spoken of confusion when coined or arbitrary names are involved, we assume, without deciding, that the same rule would apply and that likelihood of confusion must be shown. Proof of this element, however, need only be slight. This is because of the common law's solicitude for unique names and the promptness with which Comsat first warned and then sued to vindicate its right.

The district judge found there is no likelihood of confusion. We are unable to accept this finding because on the entire evidence we are "left with the definite and firm conviction that a mistake has been committed." *United States* v. *United States Gypsum Co.*, 333 U. S. 364, 395 (1948). Several facts lead to the inference that confusion is likely. Both companies trade in the same geographical area and frequently solicit the same businesses. Although they do not compete, their services and products are closely related. Only a most perceptive ear can avoid initial confusion between the names when they are spoken, and rumor, which is often more destructive of good will than fact, most frequently travels by word of month.

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6. For the effect of anti-dilution statutes, see Note, *Dilution: Trademark Infringement or Will-O'-the-Wisp?* 77 Harv. L. Rev. 520, 526 (1964).

A business need no longer prove either competition or fraudulent deception. *Standard Oil Co. of N. M.* v. *Standard Oil Co. of Calif.*, 56 F. 2d 973, 978 (10th Cir. 1932); see *Mascaro* v. *Snelling and Snelling*, 250 Md. 215, 243 A. 2d 1, 10, *cert. denied*, 393 U. S. 981 (1968) (dictum).

The Securities and Exchange Commission was quick to detect the possibility of confusion, and for this reason it required Comcet to disclaim affiliation with Comsat. The expertise of the S. E. C. in matters of this kind, we believe, should not lightly be put aside. Moreover, Comcet's acquiescence in the S. E. C.'s decision lends credence to the validity of its ruling. The likelihood of confusion among investors is an adequate predicate for relief. *Taussig* v. *Wellington Fund, Inc.*, 313 F. 2d 472 (3rd Cir.), *cert. denied*, 374 U. S. 806 (1963); Nims, *Unfair Competition and Trademarks* § 91, at 278-79 (4th ed. 1947). And this is so even if the infringer has not yet issued its stock. *Fund of Funds, Ltd.* v. *First American Fund of Funds, Inc.*, 274 F. Supp. 517 (S. D. N. Y. 1967).

Here, quite naturally, proof of actual confusion is slight because the suit was instituted when Comcet was in its infancy. One witness, however, testified he was initially confused when his broker advised him of the purchase of Comcet's stock. The fact that the true identity of Comcet was quickly recognized is of little moment. The significance of this incident is its role as a harbinger of confusion.

Finally, we reiterate that Comsat coined its name first; Comcet followed. In these circumstances Judge Learned Hand's observation in *Lambert Pharmacal Co.* v. *Bolton Chemical Corp.*, 219 F. 325, 326 (S. D. N. Y. 1915) is pertinent:

> "Of course, the burden of proof always rests upon the moving party, but having shown the adoption of a similar trade name, arbitrary in character, I cannot see why speculation as to the chance that it will cause confusion should be at the expense of the man first in the field."

In sum, the evidence establishes that the likelihood of confusion is sufficient to impair the public's interest in

accurately identifying the businesses and to prejudice Comsat's image. Either of these possibilities is enough to justify an injunction to protect Comsat's trade name.

VI. *Trademark Infringement.*

The plaintiff registered Comsat as its service mark in 1967.[7] Therefore, it is entitled to the protection of the Lanham Act, which provides in part, § 32 [15 U. S. C. § 1114]:

> "(1) Any person who shall, without the consent of the registrant—
>
> "(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
>
> . . .
>
> "shall be liable in a civil action by the registrant. . . ."

The defendant uses Comcet as a trademark for its products. It presently markets a computer bearing the mark Comcet 60. Comsat acknowledges that its claim of trademark infringement presents a narrower issue than its right to trade name protection. *Cf. Polaroid Corp.* v. *Polaraid, Inc.*, 319 F. 2d 830, 833 (7th Cir. 1963). Nevertheless, it urges, and we agree, that it is entitled to injunctive relief. Here the outcome turns on the likelihood of confusion among prospective customers, but much that we have written about trade name infringement is applicable to the trademark claim, for the issues overlap. Resemblance of the marks is not alone sufficient to establish the likelihood of confusion. Other factors such as

7. Registration No. 828,366, Class 104, May 2, 1967 for COMSAT. Registration No. 841,095, Class 104, December 5, 1967 for COMSAT using a globe as a substitute for the letter "O."

the nature of the goods, the channels of trade, and the class of purchasers must be considered. *American Drill Bushing Co.* v. *Rockwell Mfg. Co.*, 342 F. 2d 1019, 1021 (C. C. P. A. 1965); see *Restatement of Torts* § 731 (1938). When, as here, the parties are not competitors, the issue of infringement hinges on the likelihood of confusion about the source or sponsorship of the defendant's goods and services. *Cf. Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 314 F. 2d 149 (9th Cir.), *cert. denied*, 374 U. S. 830 (1963); *Vogue Co.* v. *Thompson-Hudson Co.*, 300 F. 509 (6th Cir. 1924), *modified*, 6 F. 2d 875 (6th Cir. 1925), *cert. denied*, 273 U. S. 706 (1926); see *Wolff*, *Non-Competing Goods in Trademark Law*, 37 Colum. L. Rev. 582 (1937).

Comcet's products are closely related to Comsat's services. Comcet's computers receive data primarily over facilities of AT&T, one of Comsat's customers. And Comcet's computers can be used to receive data transmitted by Comsat's satellites. Moreover, Comcet seeks to sell its computers to many of the same companies that Comsat solicits. For these reasons, the district court properly found that the parties "are in different but sometimes interrelated industries."

Despite the relationship of the businesses and the resemblance of the marks, Comcet argues that the people who purchase expensive computers and communications services are so sophisticated and knowledgeable that they will not be confused. However, the expertise of purchasers does not always assure the absence of confusion. *American Mfg. Co.* v. *Heald Machine Co.*, 385 F. 2d 456, 458 (C. C. P. A. 1967), *cert. denied*, 393 U. S. 824 (1968); *American Drill Bushing Co.* v. *Rockwell Mfg. Co.*, 342 F. 2d 1019, 1022 (C. C. P. A. 1965). But *cf. Fram Corp.* v. *Boyd*, 230 F. 2d 931, 934 (5th Cir. 1956); *Sunbeam Lighting Co.* v.

Sunbeam Corp., 183 F. 2d 969, 972 (9th Cir. 1950), *cert. denied*, 340 U. S. 920 (1951). See generally 3 Callmann, *Unfair Competition, Trademarks and Monopolies* § 81.2(c) (3d. ed. 1969); *Developments in the Law—Trade-marks and Unfair Competition*, 68 Harv. L. Rev. 814, 862 (1955). Even buyers of specialized equipment may assume that related corporations are the source of noncompetitive goods. Comcet's organizers recognized this fact. They realized that names may connote relationship. One of their reasons for selecting Comcet was to emphasize its connection with Comress, Inc. But to one who is uninitiated in the intricacies of their corporate family, Comcet may more readily suggest relationship to Comsat.

Complementary products, or services, are particularly vulnerable to confusion. *Aunt Jemima Mills Co.* v. *Rigney & Co.*, 247 F. 407 (2d Cir. 1917), *cert. denied*, 245 U. S. 672 (1918) (pancake flour and pancake syrup). A reasonable person may well believe that Comcet's communications computers come from a source related to Comsat's communications services. The possibility of confusion is increased because there are firms, such as RCA, that manufacture computers and also offer communications services.

Adding weight, though not decisive, is the fact that since the trial in the district court, the FCC has authorized Comsat to submit a proposal for a domestic satellite system. This offers the possibility of greatly expanding Comsat's field of operations and increasing the number of the parties' common customers.

We conclude, therefore, that the evidence establishes sufficient likelihood of confusion among prospective purchasers about the source or sponsorship of Comcet's computers to justify protection of Comsat's service mark.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No. 659

COMCET, INC., *Petitioner*,
(COMCET)

v.

COMMUNICATIONS SATELLITE CORPORATION, *Respondent*.
(COMSAT)

On a Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No. 659

COMCET, INC., *Petitioner,*
(COMCET)

v.

COMMUNICATIONS SATELLITE CORPORATION, *Respondent.*
(COMSAT)

On a Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

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BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the District Court (App. A of Petition) is reported at 300 F. Supp. 559 (D. Md. 1969). The opinion of the Court of Appeals for the Fourth Circuit (App. B of Petition) is not yet reported in Federal Reporter 2d but is reported at 166 U.S.P.Q. 353 (1970).

JURISDICTION

The jurisdictional requisites are adequately set forth in the Petition.

QUESTIONS PRESENTED

1. Did the Court of Appeals, in determining the issue of infringement of Respondent's registered service mark "COMSAT" under § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), correctly apply the statutory test of infringement when the Court concluded that Petitioner's use of "COMCET" as a trade name and trademark was likely to cause confusion?

2. Did the Court of Appeals correctly reverse the District Court's finding of no likelihood of confusion in an action for trade name and trademark-service mark infringement when, on the entire evidence, the Court of Appeals was "left with the definite and firm conviction that a mistake has been committed" by the District Court?

3. Did the Court of Appeals correctly interpret and apply the common law of the State of Maryland when the Court concluded that, in an action for infringement of Respondent's "coined" and "famous" trade name "COMSAT", Petitioner's use of the trademark and trade name "COMCET" was likely to cause confusion?

STATUTES AND REGULATIONS INVOLVED

Some of the sections of the Lanham Act [e.g. 15 U.S.C. § 1114(1)] and the pertinent Federal Rules of Civil Procedure [Rule 52(a)] appear in the Petition (Pet. 3). However, other sections of the Lanham Act, 15 U.S.C. § 1051 et seq., which are relevant appear in Appendix A, pages 1a to 5a, *infra*.

In addition, 23 Md. Ann. Code § 5(a)(3) (1966), Rule 54 of the Rules of The Securities and Exchange Commission, and Securities Act Releases 4959 (April 7, 1969) and 5005 (September 17, 1969) are also relevant and appear in Appendices B and C, respectively, pages 6a to 8a, *infra*.

STATEMENT OF THE CASE

I. Jurisdiction of Court of First Instance

The District Court had federal jurisdiction of both the common law and statutory aspects of the action by virtue of diversity and amount in controversy under 28 U.S.C. §§ 1332(1) and 1338(a) and (b). It also had jurisdiction of the federal statutory trademark and unfair competition aspects under § 39 of the Lanham Act, 15 U.S.C. § 1121, without regard to diversity or amount in controversy.

II. COMSAT

Respondent, a District of Columbia corporation and owner of the world famous trade name and service mark "COMSAT", sought injunctive relief[1] under the common law and the applicable federal statutes against

[1] Petitioner, in the opening paragraph of the Petition (Pet. 5), has made a material misquotation of the District Court opinion with respect to the word "damages". Judge Thomsen's opinion states that Respondent "concedes that it has not proved any *damages*." (Pet. A1, emphasis Respondent's). Petitioner erroneously states that Respondent "has conceded that it has not proved damage". (Pet. 5). There is a vast difference between Respondent conceding that *damages*, in a monetary sense, have not been proved and Petitioner maintaining that Respondent has not proved *damage*, such as to its image, impairment of the public ability to identify accurately its business or the loss or disparagement of its goodwill and reputation.

Petitioner for (a) unfair competition, (b) trade name infringement, and (c) trademark-service mark infringement, all as a consequence of the adoption and use by Petitioner of "COMCET" throughout its business, including the public offering and sale of its securities.

Respondent began using "COMSAT" as its trade name early in 1964. In October, 1964, it began use of "COMSAT" as a service mark for its communications services (Pet. A3, F.F. 5). Respondent's stock has been traded on the New York Stock Exchange since September 8, 1964, and always has been listed in the reports of the transactions on that exchange as "COMSAT" (Pet. A3, F.F. 8). It first applied for registration of "COMSAT" in the United States Patent Office as a "service mark" under the Lanham Act, *supra*, on April 4, 1966 for its communications services. The first registration was issued on May 2, 1967 (Pet. A3, F.F. 6, footnote 3). COMSAT has become recognized throughout the United States as identifying and distinguishing Respondent and its "celebrated" communications services (Pet. A4, F.F. 10; A16, j). Respondent had spent, by early 1969, about a million dollars using the name COMSAT to promote its services and to recruit personnel (Pet. B4).

At the time of trial, Respondent was authorized by the Federal Communications Commission to provide *intercontinental* communications services by means of a global communications satellite system. Such intercontinental services have been provided by Respondent directly to other communications common carriers and the United States Government (Pet. A2, F.F. 2). With respect to other users of satellite communications services, Respondent has dealt with them either as *potential*

customers' customers (and has directly solicited their use of satellite services), or as *actual* customers' customers (and has furnished them technical advice and assistance). As of the time of trial, even when Petitioner was still a relatively new company, it had solicited business from at least sixteen large companies with which Respondent had business contacts. (Pet. A14).

Since the trial, the Federal Communications Commission has taken specific steps toward considerably expanding authorized areas of marketing activity for satellite communications by requesting proposals from Respondent *and others* for a *domestic* satellite communication system (Pet. B3). FCC Docket 16495, 1970.[2] Under the Federal Communications Commission's policy for domestic satellite services, Respondent and such others as may be authorized could *serve directly all potential users* of domestic telecommunications services, not just other common carriers and the United States Government.

Respondent's present services rendered under the mark "COMSAT" include computer-to-computer communications, which type of service is being expanded since satellite communications are especially well adapted for computer-to-computer traffic (Pet. A7, F.F. 22). Respondent and Petitioner, therefore, are in expanding and "interrelated industries" (Pet. A7, F.F. 21). Moreover, there is a significant and increasing convergence of the communications and computer hardware and service businesses (Pet. A7, FCC Docket

[2] FCC Docket No. 16495: Report and Order, 22 FCC 2d 86 (adopted March 20, 1970), and Notice of Proposed Rule Making, 22 FCC 2d 810 (adopted March 20, 1970).

16979, 1966)[3] and some companies both manufacture and sell computers and also offer communications services (Pet. B13).[4]

Respondent, COMSAT, complained to Petitioner about the use of the name COMCET *promptly* after Petitioner issued its common stock prospectus on October 15, 1968 (Pet. A6, F.F. 16, 18) and on the first day that use came to Respondent's attention. Following unsuccessful discussions directed toward an amicable resolution of the matter, Respondent filed its Complaint on January 16, 1969. The case was brought to trial promptly in April, 1969.

III. COMCET

Petitioner, COMCET, was incorporated as a Maryland corporation in 1968, long after COMSAT came into wide-spread use by Respondent. When Messrs. Johnson and Herman organized Petitioner and adopted the name COMCET, they did not investigate then existing trademark registrations (Pet. A5), although doing so would have disclosed to them the existence of Respondent's earlier service mark registration (Pet. A3). In any event, these same officers of Petitioner had actual knowledge of Respondent's prior use of COMSAT (Pet. A6, F.F. 15) as well as constructive notice under § 22 of the Lanham Act, 15 U.S.C. § 1072.

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[3] FCC Docket No. 16979: Notice of Inquiry, 7 FCC 2d 11 (adopted November 9, 1966), and Supplemental Notice of Inquiry, 7 FCC 2d 19 (adopted March 1, 1967).

[4] Petitioner's communications computers (i.e., "hardware") and systems (i.e., "hardware" and "software") are sold and used as adjuncts to data processing computers of the type served by the satellite communications offered by Respondent (Pet. A8; F.F. 25).

The name was selected by the two organizers (ultimately the principal officers) of Petitioner in a one-hour meeting (Pet. B5) with the specific purpose of capitalizing on the similarity of COMCET to the names of some of its related companies. As the Court of Appeals pointed out, the name selected by Petitioner's officers "may more readily suggest relationship to Comsat" than with Petitioner's related companies (Pet. B13).[5]

Prior to the issuance of Petitioner's prospectus on October 15, 1968, the Securities and Exchange Commission recognized that Petitioner's proposed name COMCET would be confusingly similar to the well known trade name of Respondent and suggested that Petitioner place on the cover page of the Prospectus a disclaimer of relationship to " 'Comsat', Communications Satellite Corporation". Petitioner complied with this suggestion (Pet. A6).

All 510,000 shares of Petitioner's securities (with minor exceptions) designated in the prospectus were sold to the public (Pet. A6, F.F. 16, footnote 7). The offering price in the prospectus for this stock was $10.00 per share. On the first day the stock was traded it sold for three time the "issue" price (Defendant's Exhibit 33), or approximately $30.00 per share. At that same time, Respondent's stock was selling for

[5] The names COMSAT and COMCET are, phonetically, virtually indistinguishable in the ordinary manner of speaking. They are pronounced, respectively, KOM'SAT and KOM'SET. As the Court of Appeals noted, "only a most perceptive ear can avoid initial confusion between the names when they are spoken" (Pet. B9). Their visual impression is also substantially identical since both names have the same number of letters and the same number of syllables.

about $40.00 per share. There was testimony at the trial evidencing confusion in a stock transaction involving COMCET stock, which the Court of Appeals characterized as "a harbinger of confusion" (Pet. B10).

ARGUMENT

I. LANHAM ACT TEST OF INFRINGEMENT OF REGISTERED SERVICE MARK

A. The Court of Appeals' Conclusion Was Based on the Statutory Test of "Likelihood of Confusion", Not Mere "Possibility" or "Probability" of Confusion

As presented in the Petition (Pet. 2), Question 1 is not germane to this case. The Court of Appeals specifically set forth in its opinion (Pet. B11, B13) the infringement test it applied under § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), namely, the existence of "likelihood of confusion" among prospective purchasers (Pet. B13). The tests of the "possibility" of confusion or the "probability" of confusion of "prospective purchasers" which Petitioner invites this Court to consider were not applied by the Court of Appeals in this case because they are not found in the Lanham Act, 15 U.S.C. § 1051 et seq., and are not, therefore, properly a matter for review.

The Court of Appeals recognized and clearly stated that the outcome of the case turns on the statutory test of "likelihood of confusion among prospective customers" (Pet. B11). It specifically held that the evidence, in its entirety, "establishes sufficient likelihood of confusion among prospective purchasers about the source or sponsorship" of Petitioner's computers to justify protection of Respondent's service mark registered under the Lanham Act (Pet. B13). Petitioner's argument is directed, not to the *correctness* of the legal

test used by the Court of Appeals, but to the question of whether the correct legal test was *properly applied* to the facts in this case.

The opinion of the Court of Appeals clearly sets forth the factors which it considered in determining that a likelihood of confusion exists in the present case within the meaning of § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1). The evidence upon which the Court reached its conclusion was not limited to the resemblance of the marks alone,[6] but included factors such as the nature of the goods, channels of trade, and class of purchasers (Pet. B12).

In discussing the "likelihood of confusion" as to source, the Court below pointed out that "names may connote relationship" and that "to one who is uninitiated in the intricacies of their [Petitioner's] corporate family, Comcet may more readily suggest relationship to Comsat" than to Petitioner's related companies (Pet. B13). The Court of Appeals correctly concluded that, even in the absence of *direct* competition, the goods and services of the respective parties are so *related* in usage and the businesses are in

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[6] In distinguishing the present case from the case of *Durox Co.* v. *Duron Paint Mfg. Co.*, 320 F.2d 882 (4th Cir. 1963), the Court considered the nature of the marks involved in the respective cases and agreed with the holding in the *Durox* case, *supra*, that DURON was a "weak" mark, since the prefix "DUR—" has but one well understood meaning or significance, namely, "durability", whereas the prefix "COM—" may be suggestive of many different words and, therefore, when combined in a coined mark or name such as COMSAT, has no function other than to indicate source or origin of the goods or identification of the business in which it is used. In addition, the Court of Appeals, applying *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U.S. 315, 335 (1938), concluded that, regardless of its origin, COMSAT has acquired a secondary meaning which qualifies it for protection (Pet. B4).

such *interrelated industries* that there is "likelihood of confusion about the source or sponsorship of the defendant's goods and services" (Pet. B12-13). The Court also noted that "complementary" products or services are "particularly vulnerable to confusion", citing *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407 (2d Cir. 1917), *cert. den.* 245 U.S. 672 (1918).

B. The Court of Appeals' Decision Does Not Conflict With Other U.S. Circuit Court of Appeals' Decisions Interpreting the "Likelihood of Confusion" Test of Infringement Under the Lanham Act

Petitioner argues that there is a conflict between the Circuits concerning the proper interpretation of §32 (1) of the Lanham Act, 15 U.S.C. § 1114(1). However, two cases cited by Petitioner in principal support of this contention do not even deal with the Lanham Act. A reading of *General Adjustment Bureau, Inc. v. General Insurance Company*, 381 F.2d 991 (10th Cir. 1969), cited by Petitioner (Pet. 11), shows that the Lanham Act was not involved in that case in any respect. Therefore, the Court of Appeals for the Tenth Circuit did not and properly could not have "ruled" in that case on the meaning of any of the terms used in the Lanham Act. Federal jurisdiction of the case was based solely on diversity and amount in controversy and the substantive issues presented arose and were decided under Oklahoma common law. Likewise, the case of *Shoppers Fair of Arkansas, Inc. v. The Sanders Co., Inc.*, 328 F.2d 496 (8th Cir. 1964), cited by Petitioner (Pet. 10, 12), was decided under the law of Arkansas and did not involve the Lanham Act in any respect.

Insofar as the substance of Petitioner's argument is concerned, it is noted that Petitioner does not set forth

any specific question of law on which the various Circuits are in conflict. Instead, Petitioner asserts that various elements of this decision, such as the relevance of good faith, the applicability of Rule 52(a) of the Federal Rules of Civil Procedure to the findings of the trial court, and the quantum of proof necessary to establish likelihood of confusion are in conflict with various decisions in other Circuits.[7] This falls far short of presenting a clearly defined question of law on which there have, in fact, been conflicting decisions, such as would present a question worthy of certiorari. Petitioner's arguments are directed toward the Court of Appeals' *application* of the law to the facts of this case but not to the *correctness* of the law applied.

Petitioner argues, citing *Drexel Enterprises, Inc.* v. *J. R. Richardson*, 312 F.2d 525 (10th Cir. 1962), that criteria set forth in the *Restatement of Torts 2d*, Tentative Draft No. 8, §§ 729 and 731, are the applicable cri-

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[7] It is noted that in support of its conclusion in the present case, the Fourth Circuit Court of Appeals cited consistent cases decided by the Third and Seventh Circuit Courts of Appeals, involving "coined" words (which were also acronyms), namely, *Telechron, Inc.* v. *Telicon Corp.*, 198 F.2d 903, 908 (3d Cir. 1952), and *Polaroid Corp.* v. *Polaraid, Inc.*, 319 F.2d 830, 831 (7th Cir. 1963). It also cited in support of its opinion at least one Tenth Circuit case, *Standard Oil of New Mexico* v. *Standard Oil of California*, 56 F.2d 973, 978 (10th Cir. 1932), and precedents across the country including cases in which certiorari has already been denied, for example: *Best & Co.* v. *Miller*, 167 F.2d 374 (2d Cir. 1948), *cert. den.* 335 U.S. 818 (1948); *Taussig* v. *Wellington Fund, Inc.*, 313 F.2d 472 (3d Cir. 1963), *cert. den.* 374 U.S. 806 (1963); *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 314 F.2d 149 (9th Cir. 1963), *cert. den.* 374 U.S. 830 (1963); *Aunt Jemima Mills Co.* v. *Rigney & Co.*, 247 F. 407 (2d Cir. 1917), *cert. den.* 245 U.S. 672 (1918).

teria for determining likelihood of confusion under § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1). Petitioner erroneously argues by implication that the Court of Appeals in this case applied substantially different standards. Passing over the question of the legal force of the *Restatement of Torts 2d*, Respondent notes that the Court of Appeals did, in fact, apply to the facts of this case criteria substantially similar to and not at all inconsistent with the *Restatement* criteria (Pet. 10). The Court of Appeals cited the *Restatement* with approval, stating:

> "Resemblance of the marks is not alone sufficient to establish the likelihood of confusion. Other factors such as the nature of the goods, the channels of trade, and the class of purchasers must be considered. *American Drill Bushing Co.* v. *Rockville Mfg. Co.*, 342 F.2d 1019, 1021 (CCPA 1965); see Restatement of Torts § 731 (1938)." (Pet. B11-12).

Petitioner also appears to argue that the Court of Appeals equated the "possibility" of confusion to a "likelihood of confusion" and, therefore, erred in applying a test of infringement which was not in line with the standards applied by other Circuits. Again, Petitioner's argument is without foundation in the actual decision of the Court of Appeals. The Court of Appeals clearly stated that the standard it was using was "likelihood of confusion of prospective customers" (Pet. B11) and it applied conventional and long accepted criteria to determine whether there was adequate basis for concluding that a likelihood of confusion exists. Petitioner's argument that the conclusion reached by the Court of Appeals reflects a standard of a "possibility" rather than a "likelihood" or a "prob-

ability" is an exercise in semantics and does not present a question of law.[8]

In short, the Petitioner presents no question of law on which the Circuits are in conflict, nor does it present any inconsistency between the result in this case and decisions of other Circuits.

II. DECISION BELOW APPLIES SUPREME COURT DEFINITION OF "CLEARLY ERRONEOUS" RULE IN REVERSING DISTRICT COURT

A. The Court of Appeals Did Not Reverse Any Special Finding by District Court Under Rule 52(a), Federal Rules of Civil Procedure

Inasmuch as Respondent did not, on appeal, challenge the correctness of any of the specific relevant facts found by the trial court as items 1 through 25 of the "Findings of Fact" (Pet. A2-A8), the Court of Appeals did not have to state specifically whether or not the "clearly erroneous" test of Rule 52(a) of the Federal Rules of Civil Procedure had been met by Respondent with respect to specific or "detailed" findings of the trial court (Pet. 2, Question 2).

Petitioner merely asserts that the Court of Appeals "set aside certain findings of fact made by the District Court" (Pet. 13). With two exceptions,[9] however,

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[8] The Court of Appeals used the word "possibility" (Pet. B10, 11, 13) in the context of expanding fields of operation, increasing numbers of common customers, and impairment of the public interest in and prejudice to Respondent's image. The Court did not use the word "possibility" in the sense or context of a legal test of confusion.

[9] The trial court's finding that COMSAT and COMCET are "weak" names and marks and its finding that there is no likelihood of confusion are the two findings discussed by Petitioner.

the "certain findings" are not identified in the Petition, and the "findings" to which Petitioner *appears* to make reference are not among those "specially" found by the trial court. Moreover, the holding of the trial court that there was no likelihood of confusion was not set forth as one of its "Findings of Fact" (Pet. A2-A8). Rather, that holding was an Ultimate Finding and Conclusion by the trial court (and so labeled by it) reached on the basis of the evidence as a whole (Pet. A8 et seq.). As discussed more fully hereinafter, such an Ultimate Finding and Conclusion may be reviewed by the Court of Appeals and overturned as being "clearly erroneous" if, on the basis of the evidence as a whole, the reviewing court is left with a "definite and firm conviction that a mistake has been committed". *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948). That is precisely the conviction with which the Court of Appeals was left on the basis of the *entire* evidence in this case (Pet. B9).

The unanimous decision of the Court of Appeals (Pet. B1-14) took the totality of the facts as they were found by the District Court (Pet. A1-8, F&F. 1-25), and, after applying consistent precedents, stated that the Court was "left with the definite and firm conviction that a mistake has been committed" (Pet. B9). This statement referred to the ultimate finding by the trial court that "there is no likelihood that 'defendant's goods, services or business will be confused with or mistaken for plaintiff's" (Pet. A13).

B. The Court of Appeals Correctly Held District Court's Holding of "No Likelihood of Confusion" Was "Clearly Erroneous"

This Court settled in the *Gypsum* case, *supra*, the criterion upon which an appellate tribunal may set aside as "clearly erroneous" the "findings" of a trial court, whether such "findings" are "ultimate facts" or "inferences" drawn from "basic facts". In *Gypsum*, *supra*, this Court held that:

> "A finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." (333 U.S. at 395).

The Fourth Circuit Court of Appeals concluded, in the present case, that the District Court finding of no likelihood of confusion was "clearly erroneous" under the foregoing criterion, saying:

> "We are unable to accept this finding because on the entire evidence we are left with the definite and firm conviction that a mistake has been committed' *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948)". (Pet. B9).

In rejecting the District Judge's finding of no likelihood of confusion, the Court of Appeals went on and specified in detail its reasons as follows:

> "Several facts lead to the inference that confusion is likely. Both companies trade in the same geographical area and frequently solicit the same businesses. Although they do not compete, their services and products are closely related. Only a most perceptive ear can avoid initial confusion between the names when they are spoken, and rumor, which

is often more destructive of good will than fact, most frequently travels by word of mouth." (Pet. 39).

Thus, the decision of the Fourth Circuit Court of Appeals in the present case was consistent with the decision of this Court in *Gypsum*,[10] *supra*.

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[10] The Sixth Circuit Court of Appeals in the very case cited by Petitioner at Pet. 10, 12 [*S.C. Johnson & Son, Inc.* v. *Johnson Products, Co.*, 266 F.2d 129 (6th Cir. 1959), *cert. den.* 361 U.S. 829 (1959)] followed the *Gypsum* test, holding that a Court of Appeals, on reviewing the findings of a trial court may not reverse them as "clearly erroneous" unless, on the entire evidence, it is left with a definite and firm conviction that a mistake was committed. In the case of *Checkir Food Products Company* v. *Ralston Purina Company*, 232 F.2d 477 (8th Cir. 1956), also cited by Petitioner, the Eighth Circuit *agreed* with the conclusion of the trial court and, therefore, had no occasion to reverse the District Court under the rule of *United States* v. *United States Gypsum Co.*, *supra*.

Petitioner also cites the Fifth Circuit decision in *Sun-Maid Raisin Growers of California* v. *Sunaid Food Products, Inc.*, 356 F.2d 467 (5th Cir. 1966), for the proposition that a Court of Appeals, to reverse a trial court's finding of no likelihood of confusion, must conclude that such finding was clearly erroneous. Since the Court of Appeals in the present case determined that the trial court's ultimate findings were clearly erroneous, Petitioner need not challenge the decision in the *Sun-Maid* case, *supra*. In the cited case, the Court of Appeals did review the entire facts in the case but was not convinced that, either as to any specific finding of fact or on the evidence as a whole, the trial court had made a mistake. It is evident, therefore, that the Fifth Circuit Court of Appeals, without saying so, reviewed the entire evidence, as permitted under the *Gypsum* rule, but was *not* left with a firm conviction that, on the undisputed evidence, the trial court had made a mistake.

The Second Circuit, without even acknowledging that it was acting under the doctrine of the *Gypsum* case, *supra*, reversed the District Court and granted injunctive relief in a very recent case

III. NO CONFLICT WITH MARYLAND DECISIONS

A. Maryland Cases

Petitioner's assertion that the Court of Appeals' decision in the present case is in conflict with applicable Maryland decisions (Pet. 16) is entirely without foundation.

Petitioner cites *A & H Transportation, Inc.* v. *Save Way Stations, Inc.*, 244 Md. 325, 135 A.2d 289 (1957), as the "most recent applicable decision of the Supreme Court [sic.] of Maryland". (Pet. 16). In that case, the Maryland Court of Appeals stated that:

> "Questions of the protection of business names have been before this court in a number of cases. Among the most recent are *Edmondson Village Theatre, Inc.*, v. *Einbender*, 1955, 208 Md. 38, 116 A. 2d 377, and *National Shoe Stores Co.* v. *National Shoes of New York, Inc.*, 1957, 213 Md. 328, 131 A. 2d 909, the opinions in which review the principles of law applicable to the present case." (135 A. 2d at 292).

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under the Lanham Act involving a "strong" mark and some differences in goods. *Kiki Undies Corp.* v. *Promenade Hosiery Mills, Inc.*, 411 F.2d 1097 (1969), *petition for cert. dismissed*, 396 U.S. 1054 (1970). The court discussed and applied the tests of likelihood of confusion previously set forth by that Circuit in *Polaroid Corporation* v. *Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961), *cert. den.* 368 U.S. 820 (1961), and *Triumph Hosiery Mills, Inc.* v. *Triumph International Corp.*, 308 F.2d 196 (2d Cir. 1962), saying: "These factors are variable and relative and no single one, because of its presence or absence is, in itself, determinative of a case". 411 F.2d at 1099. It went on to say: "in 'the final analysis the decision must rest on the court's conviction as to possible confusion, *Miles Shoes, Inc.* v. *R. H. Macy & Co., Inc.*, supra.'" 411 F.2d at 1101. Judgment of the District Court was reversed with directions to enter an injunction against defendant's further use of the mark.

The Fourth Circuit Court of Appeals in the present case not only applied *Edmondson Village Theatre, Inc. v. Einbender*, 208 Md. 38, 116 A.2d 377 (1955), (Pet. B6), but also repeatedly applied *National Shoe Stores Co. v. National Shoes of New York, Inc.*, 213 Md. 328, 131 A. 2d 909 (1957) (Pet. B7, B8 and B9), which case was the principal source of the law applied in the *A & H Transportation* case, *supra*, relied upon by Petitioner. The law applied by the Fourth Circuit Court of Appeals in the present case, therefore, relies upon and is consistent with the same line of decisions of the highest court of the State of Maryland as those upon which *A & H Transportation, supra,* relies.

In addition to the foregoing recent Maryland precedents, the Fourth Circuit Court of Appeals, like the Maryland Court, relied upon an earlier Maryland precedent, namely, *Drive It Yourself Co. v. North*, 148 Md. 609, 130 A. 57 (1925). The Fourth Circuit Court of Appeals also referred to the most recent Maryland decision in this field, *Mascaro v. Snelling & Snelling*, 250 Md. 215, 243 A.2d 1 (1968), *cert. den.* 393 U.S. 981 (1968).

In *National Shoe Stores Co. v. National Shoes of New York, Inc. supra*, the Maryland Court of Appeals described three categories of name cases. Those categories involved (a) distinctive, coined or arbitrary marks, (b) fraudulent adoption or misuse of the name of another, and (c) geographical or descriptive names which have acquired distinctiveness. No Maryland cases have been found which involve marks falling in either the first or second categories. Since no Maryland case thus far reported has involved a distinctive, coined or arbitrary name and mark such as COMSAT, there is no basis for Petitioner's assertion that the

Court of Appeals' decision is in *conflict* with the common law of Maryland." In fact, the Court of Appeals noted the absence of direct precedent on this point, saying:

> "Maryland has not spoken of confusion when coined or arbitrary names are involved . . ." (Pet. B9).

In deciding the present case the Court of Appeals applied the test of likelihood of confusion of prospective purchasers in holding that COMCET infringes COMSAT. The Court took into account many factors, including, but not limited to, the class of prospective purchasers, such as relatively unsophisticated purchasers and prospective purchasers of stock as well as the more sophisticated purchasers and users of modern goods and services in the interrelated communications and computer industries. Its decision was consistent with holdings in Maryland cases as well as with those holdings in cases from other circuits involving "coined" or distinctive names.[11]

It is clear that Petitioner's argument, to the effect that the Court of Appeals for the Fourth Circuit applied an *incorrect* test of infringement in the present case and is, therefore, in *conflict* with Maryland law, is unfounded.

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[11] The decision of the Court of Appeals is consistent with leading decisions in other jurisdictions concerning protection of coined trade names such as *Telechron, Inc.* v. *Telicon Corp.*, 198 F.2d 903 (3d Cir. 1952), *Polaroid Corp.* v. *Polaraid, Inc.*, 319 F.2d 830 (7th Cir. 1963), and *Yale Electric Corp.* v. *Robertson*, 26 F.2d 972 (2d Cir. 1928).

B. Maryland Common Law Was Correctly Applied

The opinion of the Fourth Circuit Court of Appeals, in holding that COMCET infringes COMSAT, correctly states and applies to the present case the Maryland common law with respect to trade name infringement.

The Court of Appeals found that "several facts lead to the inference that confusion is likely" (Pet. B9) and expressly set out in its opinion those factors which it considered to be relevant, namely:

> "Both companies trade in the same geographical area and frequently solicit the same businesses. Although they do not compete, their services and products are closely related. Only a most perceptive ear can avoid initial confusion between the names when they are spoken". (Pet. B9).

The Court also said:

> "They sound almost identical and visual differences are slight. Whether the test be common law or statute, the likeness is so striking that it is apparent that Comcet—though requested not to do so—is using a colorable imitation of Comsat's name and mark". (Pet. B6).

The Court of Appeals noted that a series of Maryland cases have suggested that, where coined or arbitrary names are concerned, the burden of the first user under Maryland law to establish trade name infringement may be even less than "likelihood of confusion". Mere copying of the name may be sufficient (Pet. B8).[12]

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[12] *National Shoe Stores Co.* v. *National Shoes of New York, Inc.*, *supra*, cited by the Court of Appeals, carries forward the common law principles of *Drive It Yourself Co.* v. *North*, *supra*, and *Baltimore Bedding Corporation* v. *Moses*, 182 Md. 229, 34 A.2d 338 (1943), and indicates that "usually, the appropriation of such words alone is sufficient to give rise to a protectable right in the name".

The Court of Appeals held COMSAT to be such a coined name but assumed, without deciding, that Respondent nevertheless had to show likelihood of confusion to prove trade name infringement. The Court of Appeals held that Respondent met this higher burden of proof and, therefore, was entitled to prevail (Pet. B9).

A reading of the Maryland cases will show that where relief was denied or only limited relief granted, special circumstances existed, such as lack of secondary meaning, limited territory of use or other equitable defenses. No such defenses were raised or exist in the present case.

IV. NO IMPORTANT QUESTION OF FEDERAL LAW INVOLVED—TERM "MONOPOLY" MISAPPLIED TO TRADE NAMES AND TRADEMARKS

A. Lanham Act Test of Likelihood of Trademark Confusion Well Settled

The Lanham Act has now been in effect for more than twenty-three years and the question of "likelihood of confusion" has been involved in and has been settled in the majority of contested cases arising under the Act.[13] Thus, there is a large body of consistent precedents upon which the courts continually draw in considering each case on its merits. Petitioner has not pointed out where, during the past twenty-odd years, there has been such a divergence of views among the Circuits as to the tests to be applied in determining whether or not there is "likelihood of confusion" under § 32(1) of the Act, 15 U.S.C. § 1114(1), as to make the question presented herein worthy of certiorari.

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[13] See, Derenberg, *The Twenty-Third Year of Administration of the Lanham Trademark Act of 1946*, 166 U.S.P.Q. No. 6, Part II (August 10, 1970).

B. Common Law Trade Name Protection Is in the Public Interest and Not a Monopoly

Although protection of the public from deception by counterfeiting or "passing off" amounting to unfair competition is important, it no longer constitutes a new or unsettled question of federal law, either generally or in the specific context of this case.

In the general context, the public is deluged with advertisements about countless products and services that are similar in function, appearance, and price. The consumer has no easy task of distinguishing the good from the bad and the honest from the dishonest, except by name and reputation. Many consumers find they must place primary reliance upon the name of a company whose goods or services have theretofore earned their respect.

Affluence and susceptibility to advertising have made both the name and the general reputation of a company more, rather than less, important than in earlier years. Nevertheless, the Petitioner seeks to plagiarize a world-famous name and capitalize on the goodwill which it symbolizes, to enhance its own commercial position. The Court of Appeals saw through Petitioner's arguments and refused to sustain the lower court decision, the effect of which would have been to reward a counterfeiter[13] and encourage others to do likewise. Rather, its decision reinforces the current trend to aid the public in intelligently selecting from, and distinguishing, the respective goods and services of one business enterprise from those of another.

Since no meritorious legal issue has been presented by Petitioner, the Court of Appeals' decision, in effect insisting upon a high standard of business ethics,

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[13] "Counterfeit" is defined by § 45 of the Lanham Act, 15 U.S.C. § 1127 (See Appendix A, p. 5a, *infra*).

should rest undisturbed. Had the Court of Appeals condoned the actions of the impostor in the present case, there might be adequate public interest involved to merit invoking the powers of this Court. Where, however, the Court of Appeals has consistently applied the Lanham Act to shield the public from deception, there is no public detriment which would call for this Court to review the action taken by the Court of Appeals in this case.

The Petitioner has injected the term "monopoly" into Question 3 of the Petition (Pet. 2). The term is used pejoratively and is misapplied by Petitioner to this case. This application of the term "monopoly" ignores the fact that the specific function of trade names, trademarks and service marks is to indicate origin in a *single* source. They are not assets to be shared with others and are outside the normal definition of a "common law monopoly". A typical "monopoly" exists where one party appropriates to himself that which competitors and others have a lawful right to share. There is no inherent right to share in the use of another's trade name, trademark or service mark where confusion or likelihood of confusion will result. The common law has, historically and in the public interest, provided protection for trade names by preventing counterfeiting or other forms of deception and by insisting upon a fair and reasonable standard of ethics among business enterprises. Raising the cry of "monopoly" does not merit a license to counterfeit the famous name and mark of another.

CONCLUSION

Respondent respectfully submits that the petition for writ of certiorari should be denied for the reasons set forth herein.

Respectfully submitted,

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APPENDIX A

Excerpts from The Lanham Act, 15 U.S.C. § 1051 et seq. (1946)

* * * * * * * * * * *

Sec. 32(1) (15 U.S.C. 1114(1)). Remedies—Infringement

Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or deceive (Amended Oct. 9, 1962, 76 Stat. 769).

* * * * * * * * * * *

Sec. 34 (15 U.S.C. 1116). Remedies—Injunctions

The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such

terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

* * * * * * * * * *

Sec. 35 (15 U.S.C. 1117). Remedies—Recovery for violation of rights

When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount

of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty (Amended Oct. 9, 1962, 76 Stat. 769).

* * * * * * * * *

Sec. 39 (15 U.S.C. 1121). Remedies—Jurisdiction of courts

The district and territorial courts of the United States shall have original jurisdiction, the circuit courts of appeal of the United States and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction, of all actions arising under this Act, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.

* * * * * * * * *

Sec. 45 (15 U.S.C. (1127)). Construction and definitions

In the construction of this Act, unless the contrary is plainly apparent from the context:

* * * * * * * * *

Related company. The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

Trade name, commercial name. The terms "trade name" and "commercial name" include individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations: the names or titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or

other organizations engaged in trade or commerce and capable of suing and being sued in a court of law.

Trademark. The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturers or merchant to identify his goods and distinguish them from those manufactured or sold by others.

Service mark. The term "service mark" means a mark used in the sale or advertising of services to identify the services of one person and distinguish them from the service of others. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

* * * * * * * * * *

Mark. The term "mark" includes any trademark, service mark, collective mark, or certification mark entitled to registration under this Act whether registered or not.

Use in commerce. For the purposes of this Act a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith.

* * * * * * * * * *

Colorable imitation. The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

Registered mark. The term "registered mark" means a mark registered in the United States Patent Office under

this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent Office" means registered marks.

* * * * * * * * * *

Counterfeit. A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Singular and plural. Words used in the singular include the plural and vice versa.

Intent of Act. The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions; copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations (Amended Oct. 9, 1962, 76 Stat. 769).

APPENDIX B

Excerpts from Maryland Code, Art. 23

§ 5. Corporate name.

(a) *Indication of a corporation; not to conflict with charter as to purpose; infringement on name of other corporation.*—The name of the corporation—

* * * * * * * * * *

(3) Shall not be the same as the name of any corporation of this State, the name of any corporation registered or qualified to do business in this State, or a name which is at the time reserved or registered in the manner provided in this article, or so similar to any such name as to be misleading.

APPENDIX C

Securities and Exchange Commission Releases and Rule

For RELEASE Monday, April 7, 1969

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SECURITIES ACT OF 1933

Release No. 4959

Proposed Guide To Misleading Character Of Certain Registrants' Names

In recent months the Commission's Division of Corporation Finance has observed an increase in the incidences of registrants adopting names which may be misleading. Some registrants have used names which may create a misleading impression as to the nature of their business. For examples, registrants have proposed to use words such as "nuclear", "missile", "space", "nucleonics" or "electronics" in their names where they were not engaged in activitiy normally associated with those words, or only so engaged to a very limited extent.

The Division also may deem a registrants name to be misleading if it is so similar to the name of another company, particularly a well-known and established company, that it is likely to be confused with the name of the other company.

The Commission has authorized publication of this proposed guide in order to bring the views of the Division to the attention of prospective registrants. Comments and suggestions on the proposed guide should be submitted to Charles E. Shreve, Director, Division of Corporation Finance, Securities and Exchange Commission, Washington, D. C. 20549, on or before May 5, 1969, so that the Division may have the benefit of the views of those interested before the guide is published in definitive form. Pending publica-

tion in definitive form, the Division will generally follow the proposed guide as published in the text set forth below.

54. Misleading Character of Certain Registrants' Names.

A registrant's name may be materially misleading if it indicates a line of business in which the registrant is not engaged or is engaged only to a limited extent. If the registrant is not engaged to any substantial extent in the business indicated by the name, a change of name may be the only way to cure its misleading character. If the registrant is substantially engaged in the line of business, even though it does not comprise the major portion of the business, it may be sufficient to disclose under the name of the registrant on the cover page of the prospectus the limited extent to which the registrant is engaged in the business indicated by it's name. This paragraph does not apply, however, to an established company which over a period of years has changed the general character of its business and where the investigating public is generally aware of the change and the character of the registrant's present business.

A registrant's name may also be misleading if it is the same or substantially the same as the name of another well-known company. If it appears likely that the registrant's name may be confused with the name of the other company, consideration should be given to changing the name. However, if both companies are new or small and relatively unknown and are located in different parts of the country, so that investors are not likely to mistake one company for the other, it would be sufficient to disclose on the cover page of the prospectus, under the name of the registrant, the lack of any relationship between the two companies.

By the Commission

ORVAL L. DUBOIS
Secretary

For Release Wednesday, September 17, 1969

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Securities Act of 1933
Release No. 5005

Adoption of Guide Relating to Misleading Character of Certain Registrants' Names

On April 7, 1969, the Commission published in Securities Act Release No. 4959 a proposed guide of the Division of Corporation Finance relating to the misleading character of the names of certain registrants and invited the views and comments of interested persons thereon. The comments received having been considered by the Division the text of the guide is set forth below in definitive form, unchanged from the language of the proposal.

54. *Misleading Character of Certain Registrants' Names.*

A registrant's name may be materially misleading if it indicates a line of business in which the registrant is not engaged or is engaged only to a limited extent. If the registrant is not engaged to any substantial extent in the business indicated by the name, a change of name may be the only way to cure its misleading character. If the registrant is substantially engaged in the line of business, even though it does not comprise the major portion of the business, it may be sufficient to disclose under the name of the registrant on the cover page of the prospectus the limited extent to which the registrant is engaged in the business indicated by its name. This paragraph does not apply, however, to an established company which over a period of years has changed the general character of its business and where the investing public is generally aware of the change and the character of the registrant's present business.

A registrant's name may also be misleading if it is the same or substantially the same as the name of another well-known company. If it appears likely that the registrant's name may be confused with the name of the other company, consideration should be given to changing the name. However, if both companies are new or small and relatively unknown and are located in different parts of the country, so that investors are not likely to mistake one company for the other, it would be sufficient to disclose on the cover page of the prospectus, under the name of the registrant, the lack of any relationship between the two companies.

* * * * *

By the Commission.

ORVAL L. DUBOIS
Secretary

FILED
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E. ROBERT SEAVER, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1970.

No. 659

COMCET, INC.,

Petitioner,

vs.

COMMUNICATIONS SATELLITE CORPORATION,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF OPPOSING PETITION FOR A WRIT OF CERTIORARI.

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THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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PETITIONER'S REPLY TO RESPONDENT'S BRIEF OPPOSING PETITION FOR A WRIT OF CERTIORARI.

The central issue in this case is whether the District Court, reversed by the Court of Appeals, correctly held that Respondent had failed to prove likelihood of prospective purchaser confusion in its claim for trademark infringement under Section 32(1) of the Lanham Act. The Court of Appeals did not disturb the District Court's findings of fact to the effect that the very expensive products and services involved are purchased for use with complex data processing machinery; that months of negotiation and investigation precede the final decision to purchase; and that the sophisticated technical and executive personnel of the large purchasing corporations are not likely to be confused by Petitioner's name. This reply brief is required by several legal and factual comments on this central issue in Respondent's brief opposing *certiorari.*

On the basic concept of "likelihood of confusion" under the Lanham Act, Respondent indicates (pp. 12-13) that the Court of Appeals' concern with "possibilities" instead of "probabilities" involves only a misuse of a word, which Respondent calls a matter of "semantics." But the Court's references to "possibilities" are too numerous to be disregarded as inadvertent or insignificant. The Court's concern with possibility instead of probability reveals an important misconception of the legal criteria required to be established to sustain a cause of action for infringement under the Lanham Act. The Court's opinion shows further that it ignored the fact that the Respondent had the burden of proving likelihood of confusion by a preponderance of the evidence. Instead, the Court of Appeals erred by requiring the Petitioner to prove there was no possibility of confusion.

Respondent represents (p. 21) that "a large body of consistent precedents" supports its legal theory under the Lanham Act, but neither the Court of Appeals' opinion nor Respondent's brief cites a single infringement decision involving a highly specialized market as we have here. The decisions they rely on deal with pancake flour, ladies' underwear, shoes, clocks, mattresses and other such consumer items sold by brand name and mass marketing techniques. A 1917 case comparing the relationship of pancake flour to pancake syrup is relied upon as the principal authority for the legal consequences flowing from the relationship between sophisticated computers and satellite communications.[1] This case has no relevance here in view of the undisturbed findings of fact of the trial court. Certainly it does not support the wide extension of protection under Section 32(1) of the Lanham Act that is

1. *Aunt Jemima Mills Co.* v. *Rigney & Co.*, 247 F. 407 (2d Cir. 1917), cited in Respondent's brief at p. 10 and Court of Appeals opinion at page B13 of Petition.

required by the position of the Respondent and the Court of Appeals.

In attempting to demonstrate that it had sustained its burden of proof, Respondent represents (p. 5) that evidence in the record and new developments during appellate review indicate that Respondent may eventually serve the general public directly and that its services will be well adapted to computer traffic. There is no factual basis whatever for these statements. In fact they are contrary to the undisturbed findings of fact concerning the marketing of Respondent's and Petitioner's products and services.[2]

Respondent's final point (pp. 22-23) criticizes the Petitioner as a "counterfeiter" and an "imposter" guilty of "plagiarism." There is no factual basis for these accusations. They are, in fact contradicted by the finding of Chief Judge Thomsen (who heard the evidence and observed the credibility of the witnesses) that the Petitioner did not adopt its trademark and trade name "with any intention of using or obtaining the benefit of whatever good will [Respondent] has established for its name and service mark" (Petition, p. A5). This finding was accepted by the Court of Appeals (Petition, p. B6). Respondent's strong

2. While the FCC's policy statement in Docket No. 16495 indicated that Respondent or others might be authorized to provide satellite communications service to major users, such as television networks, the general public would not be a direct user of such services (Docket 16495, Appendix B, p. 36). At the trial two of the Respondent's own witnesses testified that there were time delays which presented practical problems in the use of satellite communications for computer-to-computer data transmission and the verification and correction of such data (Tr. 98, 116-117, 187). Moreover, the FCC Notice of Proposed Rule Making and the Tentative Decision in Docket No. 16979 states that proposed new rule 64.702 would prohibit communications common carriers subject to its jurisdiction from engaging directly or indirectly in data processing services. Thus, Respondent could not provide data processing services nor engage in marketing such services on behalf of any affiliate (Docket No. 16979, pp. 1, 15, adopted April 1, 1970).

but unjustified charge of bad faith is a symptom of its weak legal position.

Accordingly, a writ of certiorari should issue to review the decision of the Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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